

# UNITED STATES-EUROPEAN COMMUNITIES STEEL PIPE AND TUBE IMPORTS AGREEMENT

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## HEARING BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE NINETY-EIGHTH CONGRESS FIRST SESSION

SEPTEMBER 19, 1983

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# UNITED STATES-EUROPEAN COMMUNITIES STEEL PIPE AND TUBE IMPORTS AGREEMENT

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MONDAY, SEPTEMBER 19, 1983

U.S. SENATE,  
SUBCOMMITTEE ON INTERNATIONAL TRADE  
OF THE COMMITTEE ON FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:02 a.m., in room SD-215, Dirksen Senate Office Building, the Honorable John C. Danforth (chairman) presiding.

Present: Senators Danforth, Heinz, and Symms.

Also present: Senator Tower and Congressman Hance.

[The press release announcing the hearing and the prepared statements of Senator Dole and Senator Bentsen follow:]

[Press release No. 83-171 from the U.S. Senate, Committee on Finance, Subcommittee on International Trade, Aug. 9, 1983]

## SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARINGS ON S. 1035, A BILL TO ENFORCE U.S.-E.C. STEEL PIPE AND TUBE IMPORTS AGREEMENT

Senator John C. Danforth (R., Mo.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will conduct a hearing on Monday, September 9, 1983, on S. 1035.

The hearing will commence at 10 a.m. in room SD-215, Dirksen Senate Office Building.

S. 1035 provides for the enforcement of a letter of agreement, signed October 21, 1983, by representatives of the United States and the European Communities, providing that E.C. steel exporters should avoid diverting their production resources to the export of steel pipe and tube products as a result of export limits agreed to at that time on basic carbon steel products. The bill in general would require (1) the establishment of annual import ceilings on steel pipe and tube products, and (2) consultations with the E.C. and such further action as is necessary to ensure adherence to the ceilings.

### STATEMENT OF SENATOR DOLE ON S. 1035

Mr. Chairman, I am pleased to welcome our witnesses today on S. 1035, legislation intended to enforce the terms of an agreement reached last year between the United States and the European Communities on E.C. exports of steel pipe and tube products.

The autumn of 1982 will not be remembered as one of the high points in the history of U.S. trade policy. U.S.-E.C. relations were at a particularly low point, with a number of U.S. cases pending in the GATT over the E.C.'s common agricultural policy, about which it refused to consider modifications; with the continuing dispute over the DISC; with our pipeline sanctions; and with large numbers of unfair trade practice complaints then pending in the United States over E.C. steel subsidization and dumping. In November, of course, these events culminated in the disastrous GATT ministerial meeting, which Senator Danforth and I attended. It seemed then that two of the world's major trading partners were embarked on a direct path to a major trade war that threatened the Atlantic alliance.

Through the efforts of Secretary Shultz, Ambassador Brock, Secretary Baldrige and others, we managed to avert any cataclysmic confrontation. In October 1982, two 3-year steel export restraint agreements were reached that resulted in the withdrawal of the unfair trade practice cases then pending. Now, with the recovery gaining speed, perhaps we can look forward to even a greater lessening of tensions. A serious E.C. effort to reduce its export subsidies would contribute a great deal in this regard. And scrupulous adherence to commitments reached during that period is essential also to the restoration of the trust and economic well-being that we mutually seek.

Thus, it is important that commitments such as the steel pipe and tube restraint agreement be observed by the E.C. steel exporters. Neither the basic steel arrangement nor the side agreement on exports of pipe and tube products represent good trade policy in normal circumstances. Indeed, a good case could be made that the unfair trade practice cases should have been carried forward, letting our trade agreements and domestic laws work to their logical conclusion. But the circumstances at the time dictated that in the best interests of both the United States and the E.C., a restraint agreement was the best course, and of course, the U.S. industry agreed. Having deviated from the rules, we now must live with our new course.

That implies an obligation by both the U.S. and E.C. Governments to abide by the terms of their agreements. In the case of pipes and tubes, the E.C. is committed to restraining its exports to 1979-81 levels to prevent diversion of its excess basic steel capacity to the detriment of the U.S. industry. Because it is aimed at enforcing this promise—what the parties have already agreed to do—S. 1035 demands serious consideration. On the other hand, abiding by our commitments also means not attempting to impose trade restrictions in any greater amount than what was agreed.

I thus will study closely the arguments today of the industry in support of the bill, and the administration's comments on the need and appropriateness of it. Among other questions I hope the witnesses will address are the State of the U.S. markets for these products; the expected level of E.C. exports; and the means currently by which the administration seeks to enforce the agreement. Through their answers, I hope to be able to determine whether the tools are in place to promote continued improvement of the poor conditions of last autumn, or whether indeed we require additional prudent mechanisms by which to govern the conduct of a major trading partner.

#### OPENING STATEMENT OF HON. LLOYD M. BENTSEN

Mr. Chairman, I appreciate your scheduling a hearing on S. 1035, a bill that Senator Tower and I introduced last April. Mr. Chairman, just so our record will be complete, I would ask unanimous consent that there be placed in our record today the text of a letter from Secretary Baldrige to Viscount Davignon of the European Community (EC) dated October 21, 1982,<sup>1</sup> which sets out the agreement S. 1035 is intended to enforce. This document was made public by the Department of Commerce on October 21, 1982. That will provide a benchmark for us to work from.

For the sake of brevity, Mr. Chairman, I will refer to this letter as "the pipe and tube agreement."

Mr. Chairman, the steel pipe and tube problem goes back to at least 1982. At that time, the biggest dumping and countervailing duty cases in history were pending, and it was obvious the Administration wanted to settle these cases through an agreement to limit EC exports to the United States. I discovered that unemployment was increasing in the Texas oil country tubular goods (OCTG) industry, even though the industry had been profitable, and technologically the most advanced, steel sector in Texas and probably the world. I was determined, therefore, that pipe and tube not be left out of the then-pending agreement. Otherwise, EC production would simply have been diverted from attacking our carbon steel industry to attacking our pipe and tube industry. It was a case of an ounce of prevention being worth a pound of cure: If the pipe and tube makers had waited until dumping and subsidies took their toll, we would have no industry to petition the Department of Commerce for relief.

Well, the agreement that is now in place covers pipe and tube, but the so-called Heinz Dumping, which provides for U.S. customs enforcement of these agreements does not apply to the pipe and tube deal because of a technicality. In addition, there is, I take it, a fear in the pipe and tube industry that the EC never intended to be bound by the pipe and tube agreement. That is what I want to explore

<sup>1</sup> See p. 58.

today: Is the EC bound to certain levels, and if so, can we make the technical changes necessary to implement and if necessary enforce that agreement?

Senator DANFORTH. We are a bit ahead of schedule. We are supposed to begin the hearing on S. 1035 at 10 o'clock, and the first two witnesses are Senator Tower and Congressman Hance. So we will just have a little pause until the witnesses arrive.

[Pause.]

Senator DANFORTH. This hearing is on S. 1035, a bill to enforce an agreement with the European Communities regarding steel pipe and tube products.

We are delighted to have as the first witnesses a panel consisting of Senator Tower and Congressman Hance.

#### STATEMENT OF HON. JOHN TOWER, U.S. SENATOR FROM THE STATE OF TEXAS

Senator TOWER. Thank you, Mr. Chairman. And let me express my thanks for the opportunity to appear this morning in support of S. 1035, the Fair Trade and Steel Pipe and Tube Products Act of 1983.

This legislation, which I have cosponsored with my distinguished colleague and learned member of this committee, Senator Bentsen, will rectify a grave problem affecting the steel pipe and tube industry in Texas and in the rest of the United States.

As an advocate of fairness where mutual promises have been made among trading nations, I believe that when we enter an agreement, we should be prepared to see that it is effectively enforced. The legislation before us today is needed to correct a situation in which some of our trading partners in the European Economic Community have been less than scrupulous in their observance of this principle.

In October 1982, a trade arrangement was concluded between the United States and the European Economic Community to restrain exports of EC pipe and tube products to this country based on their average share of the U.S. market between 1979 and 1981. In exchange for the EC promise to limit exports, U.S. steel manufacturers agreed to drop unfair trade cases pending against EC exporters, and to refrain from filing other such cases during the life of the arrangement. In the event that such cases are initiated, the EC specifically reserved the right to terminate its obligations under the arrangement. By contrast, the remedy available to the United States in the event of a breach of the arrangement by the Europeans is the right to call for "consultations." In other words, the promise of the U.S. firms not to initiate unfair trade cases is enforceable by the EC, but the EC's promise to limit exports is not enforceable by the United States. It is our steel pipe and tube industry that is now suffering the consequences of this highly inequitable situation.

The record of the arrangement through the first half of 1983 reflects this basic imbalance. European pipe and tube exports are running well above the agreed-upon levels. The most critical problem, however, has been with oil country tubular goods—which includes casing and other specialized tubing used in the drilling of oil and gas wells—where a substantial inventory of imports continues

to overhang a depressed drilling market. In total, EC exports to the United States of oil country tubular goods from November 1982 through December 1983 could be more than twice the amount anticipated under the arrangement if the present rate of export continues. While EC shipments of oil country tubular goods during the arrangement base period were equal to 8.76 percent of the domestic market, such shipments have accounted for approximately 20 percent of U.S. apparent consumption through the middle of this year.

The effect of these overshipments has been profound. Thousands of pipe and tube mill workers are unemployed. Mills have been forced to shut down or substantially curtail their operations. Though some of the present difficulties facing this critical industry are attributable to a general downturn in the world market for oil country tubular goods, the effects have been greatly aggravated by the EC's failure to comply with terms of the arrangement.

Given this record, the need for action is clear. S. 1035 provides the enforcement mechanism needed to insure that the terms of the arrangement are adhered to. The bill will accomplish this without altering the obligation of the parties under the arrangement. Bolstered by this legislation, the arrangement will be much better able to maintain order in the steel pipe and tube industry in accordance with the original intent of the parties.

Let me conclude, Mr. Chairman, by emphasizing this is not a protectionist bill. As a matter of fact, I hardly have a reputation for being protectionist around this establishment. I have opposed protectionist measures wherever they have been offered, through the Defense authorization bills, by the Defense appropriation bills. I don't believe that's the place for them. I have always been a strong believer in the two-way street, in terms of our defense sales arrangements with our allies. But I think in this particular instance we have to look to the protection of a domestic industry through legislation that is not itself really protectionist.

Manufacturers of oil country tubular goods do not need protection from unsubsidized foreign competition. Over the last several years this industry has dramatically modernized at great expense. The steel pipe and tube arrangement and this legislation are not designed to build protective walls around an industry, but rather to prevent unfair trade practices from occurring when our trading partners have agreed in principle to cease such practices.

S. 1035 is not a quota bill. It merely gives substance to an arrangement already negotiated between the United States and the EC. Together, the bill and the arrangement provide the requisite means for enforcing the rights and obligations of both parties, in compliance with international trade law.

Mr. Chairman, I appreciate the opportunity to appear. Before I defer to my good friend and colleague from the House, Congressman Hance, I would like to call to the table two gentlemen that will be witnesses, Mr. Jim Knox and Mr. Jim Chenoweth of the Lone Star Steel Co., and I would like to ask them to come sit at the table now. They are the experts in this matter, and I appreciate their taking the time to come to Washington to testify in support of S. 1035. They will, of course, go into much greater detail regarding the untenable position that their industry is facing, and I be-

lieve that the subcommittee will find their presentation informative.

Let me say that I made a special trip to Brussels earlier this year to discuss this matter with Monsieur Davignon, the Executive Vice President of the European Economic Community, and expressed my very strong views at that time. I see that my entreaties and those of my colleagues, to Monsieur Davignon and to other officials of the Economic Community, have not had much impact, I'm sorry to say. But I think it's incumbent on us to act.

[Senator Tower's prepared statement follows:]



## PREPARED STATEMENT OF SENATOR JOHN TOWER

I THANK THE CHAIRMAN AND MEMBERS OF THE TRADE SUBCOMMITTEE FOR THIS OPPORTUNITY TO APPEAR THIS MORNING IN SUPPORT OF S.1035, THE "FAIR TRADE IN STEEL PIPE AND TUBE PRODUCTS ACT OF 1983." THIS LEGISLATION, WHICH I HAVE COSPONSORED WITH SENATOR BENTSEN, WILL RECTIFY A GRAVE PROBLEM AFFECTING THE STEEL PIPE AND TUBE INDUSTRY IN TEXAS AND THE REST OF THE UNITED STATES.

AS AN ADVOCATE OF FAIRNESS WHERE MUTUAL PROMISES HAVE BEEN MADE AMONG TRADING NATIONS, I BELIEVE THAT WHEN WE ENTER AN AGREEMENT, WE SHOULD BE PREPARED TO SEE THAT IT IS EFFECTIVELY ENFORCED. THE LEGISLATION BEFORE US TODAY IS NEEDED TO CORRECT A SITUATION IN WHICH SOME OF OUR TRADING PARTNERS IN THE EUROPEAN ECONOMIC COMMUNITY (EC) HAVE BEEN LESS THAN SCRUPULOUS IN THEIR OBSERVANCE OF THIS PRINCIPLE.

IN OCTOBER 1982, A TRADE ARRANGEMENT WAS CONCLUDED BETWEEN THE UNITED STATES AND THE EUROPEAN ECONOMIC COMMUNITY (EC) TO RESTRAIN EXPORTS OF EC PIPE AND TUBE PRODUCTS TO THIS COUNTRY BASED ON THEIR AVERAGE SHARE OF THE U.S. MARKET BETWEEN 1979 AND 1981. IN EXCHANGE FOR THE EC'S PROMISE TO LIMIT EXPORTS, U.S. STEEL MANUFACTURERS AGREED TO DROP UNFAIR TRADE CASES PENDING AGAINST EC EXPORTERS, AND TO REFRAIN FROM FILING OTHER SUCH CASES DURING THE LIFE OF THE ARRANGEMENT. IN THE EVENT THAT SUCH CASES ARE INITIATED, THE EC SPECIFICALLY RESERVED THE RIGHT TO TERMINATE ITS OBLIGATIONS UNDER THE ARRANGEMENT. BY CONTRAST, THE REMEDY AVAILABLE TO THE U.S. IN THE EVENT OF A BREACH OF THE ARRANGEMENT BY THE EUROPEANS IS THE RIGHT TO CALL FOR "CONSULTATIONS." IN OTHER WORDS, THE PROMISE OF UNITED STATES FIRMS NOT TO INITIATE UNFAIR TRADE CASES IS ENFORCEABLE BY THE EC, BUT THE EC'S PROMISE TO LIMIT EXPORTS IS NOT ENFORCEABLE BY THE UNITED STATES. IT IS OUR STEEL PIPE AND TUBE INDUSTRY THAT IS NOW SUFFERING THE CONSEQUENCES OF THIS HIGHLY INEQUITABLE SITUATION.

THE RECORD OF THE ARRANGEMENT THROUGH THE FIRST HALF OF 1983 REFLECTS THIS BASIC IMBALANCE. EUROPEAN PIPE AND TUBE EXPORTS ARE RUNNING WELL ABOVE THE AGREED-UPON LEVELS. THE MOST CRITICAL PROBLEM, HOWEVER, HAS BEEN WITH OIL COUNTRY TUBULAR GOODS -- WHICH INCLUDES CASING AND OTHER SPECIALIZED TUBING USED IN THE DRILLING OF OIL AND GAS WELLS -- WHERE A SUBSTANTIAL INVENTORY OF IMPORTS CONTINUES TO OVERHANG A DEPRESSED DRILLING MARKET. IN TOTAL, EC EXPORTS TO THE U.S. OF OIL COUNTRY TUBULAR GOODS FROM NOVEMBER 1982 THROUGH DECEMBER 1983 COULD BE MORE THAN TWICE THE AMOUNT ANTICIPATED UNDER THE ARRANGEMENT IF THE PRESENT RATE OF EXPORT CONTINUES. WHILE EC SHIPMENTS OF OIL COUNTRY TUBULAR GOODS DURING THE ARRANGEMENT BASE PERIOD WERE EQUAL TO 8.75 PERCENT OF THE DOMESTIC MARKET, SUCH SHIPMENTS HAVE ACCOUNTED FOR APPROXIMATELY 20 PERCENT OF U.S. APPARENT CONSUMPTION THROUGH THE MIDDLE OF THIS YEAR.

THE EFFECT OF THESE OVERSHIPMENTS HAS BEEN PROFOUND. THOUSANDS OF PIPE AND TUBE MILL WORKERS ARE UNEMPLOYED. MILLS HAVE BEEN FORCED TO SHUT DOWN OR SUBSTANTIALLY CURTAIL THEIR OPERATIONS. THOUGH SOME OF THE PRESENT DIFFICULTIES FACING THIS CRITICAL INDUSTRY ARE ATTRIBUTABLE TO A GENERAL DOWNTURN IN THE WORLD MARKET FOR OIL COUNTRY TUBULAR GOODS, THE EFFECTS HAVE BEEN GREATLY AGGRAVATED BY THE EC'S FAILURE TO COMPLY WITH TERMS OF THE ARRANGEMENT.

GIVEN THIS RECORD, THE NEED FOR ACTION IS CLEAR. S.1035 PROVIDES THE ENFORCEMENT MECHANISM NEEDED TO ENSURE THAT THE TERMS OF THE ARRANGEMENT ARE ADHERED TO. THE BILL WILL ACCOMPLISH THIS WITHOUT ALTERING THE OBLIGATION OF THE PARTIES UNDER THE ARRANGEMENT. BOLSTERED BY THIS LEGISLATION, THE ARRANGEMENT WILL BE MUCH BETTER ABLE TO MAINTAIN

ORDER IN THE STEEL PIPE AND TUBE INDUSTRY IN ACCORDANCE WITH THE ORIGINAL INTENT OF THE PARTIES.

LET ME CONCLUDE, MR. CHAIRMAN, BY EMPHASIZING THIS IS NOT A PROTECTIONIST BILL. MANUFACTURERS OF OIL COUNTRY TUBULAR GOODS DO NOT NEED PROTECTION FROM UNSUBSIDIZED FOREIGN COMPETITION. OVER THE LAST SEVERAL YEARS THIS INDUSTRY HAS DRAMATICALLY MODERNIZED AT GREAT EXPENSE. THE STEEL PIPE AND TUBE ARRANGEMENT AND THIS LEGISLATION ARE NOT DESIGNED TO BUILD PROTECTIVE WALLS AROUND AN INDUSTRY, BUT RATHER TO PREVENT UNFAIR TRADE PRACTICES FROM OCCURRING WHEN OUR TRADING PARTNERS HAVE AGREED IN PRINCIPLE TO CEASE SUCH PRACTICES.

S.1035 IS NOT A QUOTA BILL. IT MERELY GIVES SUBSTANCE TO AN ARRANGEMENT ALREADY NEGOTIATED BETWEEN THE U.S. AND THE EC. TOGETHER, THE BILL AND THE ARRANGEMENT PROVIDE THE REQUISITE MEANS FOR ENFORCING THE RIGHTS AND OBLIGATIONS OF BOTH PARTIES, IN COMPLIANCE WITH INTERNATIONAL TRADE LAW.

MR. CHAIRMAN, I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE, AND IT IS MY HOPE THAT THE SUBCOMMITTEE WILL GIVE CAREFUL AND EXPEDITIOUS CONSIDERATION TO THIS IMPORTANT MATTER.

MR. CHAIRMAN, I WOULD ALSO LIKE TO WELCOME MR. JIM KNOX AND MR. JIM CHENOWETH OF LONE STAR STEEL COMPANY TO THIS HEARING. I APPRECIATE THEIR TAKING THE TIME TO COME TO WASHINGTON TO TESTIFY IN SUPPORT OF S.1035. THEY WILL GO INTO MUCH GREATER DETAIL REGARDING THE UNTENABLE POSITION THAT THEIR INDUSTRY IS FACING, AND I BELIEVE THE SUBCOMMITTEE WILL FIND THEIR PRESENTATION INFORMATIVE.

AGAIN, THANK YOU.

At this point I would like to yield to the distinguished Congressman from Texas, Congressman Hance.

**STATEMENT OF HON. KENT HANCE, CONGRESSMAN FROM THE  
STATE OF TEXAS**

Mr. HANCE. Thank you, Mr. Chairman, and thank you, Senator Tower. I appreciate the opportunity to be with you and work with you on this important matter.

I want to briefly go over my statement in support of S. 1035. I am cosponsoring a companion bill in the House, H.R. 2299. This legislation provides the Secretary of Commerce with the administrative tools necessary to enforce the provisions of the steel pipe and tube arrangement.

Rather than go through the background of the U.S./EC pipe and tube arrangement and the broader arrangement on carbon steel products, both of which were negotiated last fall—I'm sure that everybody is familiar with the basic provisions and intent of those arrangements—what I would like to discuss this morning are the problems in enforcing the existing pipe and tube arrangement.

My primary concern is with the EC exports of oil country tubular goods, or OCTG. OCTG is the casing and tubing used in drilling oil and gas wells. If unresolved, these problems could threaten the continued vitality of the U.S. pipe and tube industry.

Both the pipe and tube arrangement and the carbon steel arrangement are based on a relatively simple premise. U.S. steel companies agreed to withdraw pending countervailing duty and antidumping cases against European steel producers and to refrain from filing any new cases. In exchange, the EC agreed to two main points. They agreed to limit annual pipe and tube exports to the United States to their share of the U.S. pipe and tube market between 1979 and 1981. They also agreed not to shift exports within the pipe and tube sector to the more profitable products.

The EC market share for pipe and tube between 1979 and 1981 was 5.9 percent. The market share for the most profitable product within the sector, which was oil country tubular goods, is 8.7 percent.

The U.S. steel producers have fulfilled their side of the bargain. A series of trade cases pending against the Europeans at the time of the negotiations were withdrawn, and no new cases have been filed. Yet, with almost a year gone by it is unlikely that the EC can or will fulfill its obligations with respect to limits on pipe and tube exports.

Through June of this year—and that's the latest month for which we have reliable figures—the Department of Commerce statistics show that if EC exports of pipe and tube products to this country continue at their average monthly level, they will exceed the limits set up in the arrangement. On an annualized basis, monthly exports of OCTG are far above the 1979–81 base levels.

In recent months the EC has reduced exports of the OCTG. However, to comply with the arrangement by the end of the year, the EC would have to limit their OCTG exports to slightly over 4,000 tons a month for the July to December period. This is far below the monthly average of 14,489 tons for the first 7 months of the ar-

rangement and far below the 32,000 tons imported into the United States in 1 month alone. If exports continue at the rate that occurred during the first 7 months of the arrangement, the EC share of the oil country tubular goods market will be more than twice as large as their share during the 1979-81 period, which was the period that was set up to follow. While it is still mathematically possible for the EC to comply with the arrangement by the end of the year, this could only happen with unprecedented restraint on the part of our European trading partners, and I sincerely doubt that this is likely.

There are three areas related to the arrangement that greatly concern me. First, from information provided to me by the Department of Commerce, there does not appear to be a formal agreement with the EC, as Senator Tower pointed out. We have operated under the assumption that OCTG imports into the United States must be limited to their base period market share of 8.76 percent of domestic consumption. I was shocked to find out this summer that the EC apparently has not formally agreed to that, even though we were led to believe that they had agreed to it. So here we are, 10 months after the arrangement started, and yet one of the basic components of the agreement has not been resolved.

The second thing that compounds this problem is the long delay in getting accurate information on the amount of OCTG goods that are coming into the country. It usually takes 2 or 3 months after the goods are exported before the Commerce Department gets accurate and complete information on the level of these exports.

My third area of concern is that the arrangement contains no formal enforcement mechanisms. The companion carbon steel arrangement calls for a mandatory system of export and import licenses to assure compliance with agreed-upon market shares. But the pipe and tube arrangement merely provides for consultations in the event of actual or threatened violations.

While I believe that Secretary Baldrige and his staff are committed to trying to make the arrangement work, they simply do not have the tools necessary to do so. After more than 10 months, the Department has been unable to get the Europeans to agree to monitor compliance for separate product categories such as oil country tubular goods.

When I, along with the chairman and other members of the House Trade Subcommittee, wrote to Secretary Baldrige last July, we asked for his views on this situation. We also asked him to specify the circumstances under which he would invoke formal consultations with the Europeans as provided in the pipe and tube arrangement. The Secretary indicated at that time that he would do so if he found that "attainment of the goals of this arrangement are threatened." He went on to say that in his view it was premature to request consultations in light of "encouraging signs" that OCTG shipments may be declining. While I admire the Secretary's optimism, I want to point out that in light of his own Department's statistics, the real question is not whether the market share agreement will be met, but the amount by which it will be exceeded.

The Secretary's response to our letter also stated that "the pipe and tube arrangement does not provide specific import penetration

levels by subproduct category." This statement indicates to me that Commerce may be backing off its commitment to monitor compliance on the basis of subcategories such as OCTG.

Please understand that it is not my purpose to criticize either the Secretary or the Department. The problem is really with the arrangement, not with the people charged with administering it.

So we have an arrangement where the actual measures of compliance appear to be in doubt. There are serious problems in obtaining data to determine whether the EC is in compliance. And there is no effective way to enforce the limitations of the arrangement. These are the main problems that S. 1035 attempts to correct.

The bill simply gives the Secretary of Commerce the authority to enforce both pipe and tube and subcategory limits. The bill reaffirms market share limits for both the pipe and tube sector as a whole, and for product subcategories. If the Commerce Secretary determines that exports of total pipe and tube are likely to exceed their established limits, or if distortions within the pipe and tube sectors are likely to occur, he is directed to enter into formal consultations with the EC. If the consultations do not result in an agreement from the EC to insure compliance, the Secretary of the Treasury is directed to impose mandatory import ceilings that would guarantee compliance.

The bill recognizes the strong interest of both the United States and the EC in seeing that the pipe and tube arrangement works. Enactment of S. 1035 gives it a chance. Without this legislation, I doubt that the arrangement will last another 6 months.

Let me conclude, Mr. Chairman, by addressing the human element. The import numbers and other statistics tell only part of the story. Behind those statistics are thousands of workers in my State as well as in Pennsylvania, Ohio, and other States, who have been laid off by pipe and tube mills or by their suppliers. These workers are likely to remain unemployed as long as the EC is given a green light to undercut domestic competition. The Government urged steel producers to forgo their rights under existing U.S. statutes to challenge unfair or illegal trade practices to give the pipe and tube arrangement a chance to work. In doing so, the Federal Government accepted the responsibility for seeing that the interests of these men and women would be protected.

More than 10 months have passed, and the arrangement is still on shaky ground. We have reached a crossroads, no doubt. Our people have been patient long enough. Either we make it clear to the Europeans that we intend to hold them to the terms of the arrangement, or we owe it to our own industry to drop the charade.

I support this legislation because I believe that the pipe and tube arrangement can work if it is properly enforced. S. 1035 gives the Secretary the enforcement mechanisms to make it work.

Mr. Chairman, this concludes my prepared remarks. I would be more than happy to answer any questions, and I appreciate your having these hearings.

Senator DANFORTH. Gentlemen, thank you both very much.

It is my understanding that the intent of this legislation is not to alter the substance of the arrangement with the European Commu-

nity, but instead to simply provide adequate enforcement of the arrangement.

Senator TOWER. That is correct, Mr. Chairman.

Senator DANFORTH. The next witness is going to be the Deputy Assistant Secretary of Commerce, and either or both of you are welcome to join me here for the purpose of questioning that witness, if you like.

Senator TOWER. Thank you for that kind invitation, Mr. Chairman. Unfortunately, I do have other committee responsibilities that will call me away. I hope particular attention will be given to the two gentlemen representing Lone Star Steel that will testify. They have a great deal of expertise in this and have been leaders in the industry, and, incidentally, very, very efficient producers. So I would hope the committee would derive some useful information from their testimony.

Senator DANFORTH. Thank you very much.

Senator TOWER. Mr. Chairman, thank you.

Mr. HANCE. Mr. Chairman, thank you, and I look forward to hearing from the people from Lone Star Steel. I think you will find that they are not asking for protectionism, just a fair shake.

Senator DANFORTH. Thank you very much, Congressman.

[The prepared statement of Congressman Kent Hance follows:]

STATEMENT OF CONGRESSMAN KENT HANCE  
SUBCOMMITTEE ON INTERNATIONAL TRADE  
COMMITTEE ON FINANCE, U.S. SENATE  
MONDAY, SEPTEMBER 19, 1983

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Mr. Chairman and members of the Committee, my name is Kent Hance. I am a member of the U.S. House of Representatives, representing the 19th District of the State of Texas. I appreciate the opportunity to appear before you this morning in support of S. 1035, the "Fair Trade in Steel Pipe and Tube Products Act of 1983." I am one of the primary sponsors of the House companion bill, H.R. 2299. This legislation provides the Secretary of Commerce with the administrative tools necessary to enforce the provisions of the Steel Pipe and Tube Arrangement.

Mr. Chairman, I intend to be brief this morning. I will not go through the background of the U.S./E.C. Pipe and Tube Arrangement or the broader Arrangement on Carbon Steel Products, both of which were negotiated last fall. I am sure that the Committee is familiar with the basic provisions and intent of these Arrangements.

What I would like to discuss this morning are problems in enforcing the existing Pipe and Tube Arrangement. My primary concern is with European Community exports of oil country tubular goods (OCTG) - the casing and tubing used in drilling oil and gas wells. If unresolved, these problems could threaten the continued vitality of the U.S. pipe and tube industry.

Both the Pipe and Tube Arrangement and the Carbon Steel Arrangement are based on a relatively simple premise. U.S. steel



companies agreed to withdraw pending countervailing duty and antidumping cases against European steel producers and to refrain from filing any new cases. In exchange, the EC agreed to two main points. They agreed to limit annual pipe and tube exports to the U.S. to their share of the U.S. pipe and tube market between 1979-1981. They also agreed not to shift exports within the pipe and tube sector to the more profitable products.

The EC market share for pipe and tube between 1979 and 1981 was 5.9%. The market share for the most profitable product within the sector - oil country tubular goods - was 8.76%.

U.S. steel producers have fulfilled their side of the bargain. A series of trade cases pending against the Europeans at the time of the negotiations were withdrawn and no new ones have been filed. Yet with almost a year gone by, it is unlikely that the EC can or will fulfill its obligations with respect to limits on pipe and tube exports.

Through June of this year - the latest month for which reliable figures are available - Department of Commerce statistics show that if EC exports of pipe and tube products to this country continue at their average monthly level, they will exceed the limits in the Arrangement. This problem is especially severe in the case of oil country tubular goods. On an annualized basis, monthly exports of OCTG are far above the 1979-1981 base levels.

In recent months the EC has reduced exports of OCTG. However, to comply with the arrangement by the end of the year, the EC would have to limit OCTG exports to slightly over 4,000 tons a month for the July to December period. This level is far below the monthly average of 14,489 tons for the first seven months of

the Arrangement and far below the 32,436 tons imported into the U.S. in one month alone. If exports continue at the rate that occurred during the first seven months of the agreement, the EC share of the OCTG market will be more than twice as large as their share during the 1979-1981 period. While it is still mathematically possible for the EC to comply with the agreement by the end of the year, this could only happen with unprecedented restraint on the part of our European trading partners.

There are three areas related to the Arrangement that greatly concern me. First, from information provided to me by the Department of Commerce, there does not appear to be a formal agreement with the EC as to the allowed level of OCTG exports. We have operated under the assumption that OCTG imports into the U.S. must be limited to their base period market share of 8.76 percent of domestic apparent consumption. I was shocked to find out this summer that the EC apparently has not formally agreed to this figure. So here we are, more than ten months into the Arrangement, and one of the most basic components of the agreement does not seem to be resolved.

Compounding this problem is the long delay in getting accurate information on the levels of exports of OCTG from the Europeans. It takes two to three months after OCTG are exported for the Commerce Department to obtain fairly complete information on the level of these exports. If monthly exports from the EC should begin to approach monthly levels of earlier this year, the 8.76 percent market share would be exceeded. However, it would take months to detect noncompliance.

Finally, the Arrangement contains no formal enforcement mechanisms. The companion Carbon Steel Arrangement calls for a mandatory system of export and import licenses to assure compliance with agreed-upon market shares. The Pipe and Tube Arrangement merely provides for "consultations" in the event of actual or threatened violations.

While I believe Secretary Baldrige and his staff are committed to trying to make the Arrangement work, they simply do not have the tools necessary to do it. After more than ten months, the Department has been unable to get the Europeans to agree to monitor compliance for separate product categories - such as oil country tubular goods.

When I, along with the Chairman and other members of the House Trade Subcommittee wrote to Secretary Baldrige last July, we asked for his views on this situation. We also asked him to specify the circumstance under which he would invoke formal consultations with the Europeans as provided in the Pipe and Tube Arrangement. The Secretary indicated that he would do so if he found that "attainment of the goals of this Arrangement are threatened." He went on to say that in his view it was premature to request consultations in light of "encouraging signs" that OCTG shipments may be declining. While I admire the Secretary's optimism, I want to point out that in light of his own Department's statistics, the real question is not whether the market share agreement will be met, but the amount by which it will be exceeded.

The Secretary's response to our letter also stated that "the pipe and tube arrangement does not provide specific import

penetration levels by sub-product category." This statement indicates to me that Commerce may be backing off its commitment to monitor compliance on the basis of subcategories, such as OCTG.

Please understand that it is not my purpose to criticize either the Secretary or the Department. The problem is with the Arrangement, not with the people charged with administering it.

So we have an Arrangement where the actual measures of compliance appear to be in doubt. There are serious problems in obtaining data to determine whether the EC is in compliance. And, there is no effective way to enforce the limitations of the Arrangement. These are the problems that S. 1035 attempts to correct.

S. 1035 would not change the basic provisions of the Arrangement. The bill simply gives the Secretary of Commerce the authority to enforce both pipe and tube and subcategory limits. The bill reaffirms market share limits for both the pipe and tube sector as a whole, and for product subcategories. If the Commerce Secretary determines that exports of total pipe and tube are likely to exceed their established limits, or if distortions within the pipe and tube sector are likely to occur, he is directed to enter into formal consultations with the EC. If the consultations do not result in an agreement from the EC to ensure compliance, the Secretary of Treasury is directed to impose mandatory import ceilings that would guarantee compliance.

The bill recognizes the strong interest of both the U.S. and the EC in seeing that the Pipe and Tube Arrangement works. Enactment

of S. 1035 gives it a chance. Without the legislation, I doubt that the Arrangement will last another six months.

Let me conclude, Mr. Chairman, by addressing the human element. The import numbers and other statistics tell only part of the story. Behind those statistics are thousands of workers in my State as well as in Pennsylvania, Ohio, and other States, who have been laid off by pipe and tube mills or by their suppliers. These workers are likely to remain unemployed as long as the EC is given a green light to undercut domestic competition. The government urged steel producers to forego their rights under existing U.S. statutes to challenge unfair or illegal trade practices to give the Pipe and Tube Arrangement a chance to work. In doing so, the federal government accepted the responsibility for seeing that the interests of these men and women would be protected.

More than ten months have passed and the Arrangement is on shaky ground. We have reached a crossroads. Our people have been patient long enough. Either we make it clear to the Europeans that we intend to hold them to the terms of the Arrangement or we owe it to our own industry to drop the charade.

I support this legislation because I believe that the Pipe and Tube Arrangement can work if it is properly enforced. S. 1035 gives the Secretary the enforcement mechanisms to make it work.

Mr. Chairman, this concludes my prepared remarks. I would be please at this time to answer any questions that you or other members of this distinguished Committee may have.

Senator DANFORTH. Mr. Holmer and Mr. Spetrini.

**STATEMENT OF ALAN F. HOLMER, DEPUTY ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION, DEPARTMENT OF COMMERCE**

Mr. HOLMER. Mr. Chairman, I am pleased to be here to discuss S. 1035, the Fair Trade in Pipe and Tube Products Act of 1983.

I am accompanied this morning by Joseph Spetrini, who is the acting director of the Agreements Compliance Division at the Department of Commerce.

We oppose enactment of S. 1035. It would impose quotas on steel pipe and tube imports from the European Communities (EC), would violate our international obligations under the GATT, and would invite compensation claims or retaliation.

We also believe that this legislation is unnecessary because the pipe and tube arrangement (the arrangement) with the European Communities is meeting its objectives.

As you know, Mr. Chairman, in January 1982 seven U.S. steel producers filed 132 antidumping (AD) and countervailing duty (CVD) petitions against imports of many steel products other than pipe and tube. More petitions were filed later, including four CVD cases covering only a small portion, about 5 percent, of total U.S. pipe and tube imports from the EC. These four cases involved certain welded pipes from France, Germany, and Italy. None of the four investigations confirmed the petitioners' allegations of injurious unfair trade.

At the request of both the EC and the U.S. steel industry the Department of Commerce negotiated for months with the European Communities trying to resolve the steel trade dispute through agreement rather than through a continuation of antidumping and countervailing duty cases.

Throughout those negotiations, the U.S. steelmakers refused to withdraw the petitions in any pending steel cases, unless the agreement satisfactorily covered pipe and tube as well. Without agreement on pipe and tube, none of the unfair trade cases would have been settled. But the pipe and tube issue was complex and explosive; it not only threatened U.S.-EC efforts to resolve a serious trade dispute, it also caused serious divisions within the EC. The EC either could not or would not agree to treat its pipe and tube exports the same way that they treated the more general steel arrangement, for two reasons: One, unlike many EC carbon steel products, EC pipe and tube exports had not been found to be unfairly traded, and two, the EC pipe and tube industry is separate from the EC steel producers that were involved in the unfair trade practices.

Since the U.S. industry insisted on some kind of pipe and tube agreement with the EC, and the EC was constrained in what it could offer, we concluded an agreement designed to limit EC exports of pipe and tube to the United States without requiring export licensing. The arrangement is intended to prevent trade diversion in EC exports from products licensed under the basic steel products arrangement into pipe and tube, and to prevent distortion in the pattern of U.S.-EC trade within the pipe and tube sector.

The arrangement states that diversion will not occur insofar as EC exports of total pipe and tube do not exceed their 1979-81 average, 5.9 percent, of U.S. apparent consumption of those products.

The arrangement on pipe and tube and the arrangement on certain steel products are the result of long, arduous negotiations on both sides of the Atlantic. The arrangement was acceptable to the 15 petitioning U.S. steelmakers, including 6 producers of pipe and tube.

The bill which is the subject of this morning's hearing purports to provide enforcement authority for the pipe and tube arrangement. If this bill were enacted, it is likely that there would be no arrangement left to enforce. What the bill really does is to transform a carefully negotiated international agreement on a highly sensitive subject into a unilateral quota. This was never agreed to, and it was not insisted upon by the U.S. producers who supported and benefit from the arrangement.

We oppose S. 1035 principally on two grounds. Quotas are both unjustified and unnecessary. We don't believe that automatic unilateral quotas on pipe and tube exports from the EC are justified, for several reasons. First, the proposed bill would declare that the U.S. pipe and tube industry has been injured by imports, without supporting evidence or any opportunity for interested parties to comment. Such a broad declaration would now be unwarranted, since pipe and tube imports from the EC have declined, both absolutely and relatively.

Second, under some circumstances EC exports could possibly exceed the arrangement's specified limit without justifying any unilateral U.S. action. For example, imports of pipe and tube by the U.S. pipe and tube industry itself could cause imports to exceed the specified limit. This is not just a remote possibility; a substantial portion of EC pipe and tube exports to the United States are now imported by the U.S. pipe and tube industry.

Third, we have not found EC pipe and tube products to be unfairly traded. Current law allows import restraint of fairly traded goods only if increased imports are found to be a substantial cause of serious injury. Without such finding, unilaterally imposing quotas would constitute naked protectionism and would violate our international obligations under the GATT.

Finally, quotas in violation of the GATT are very likely to trigger retaliation by the EC against U.S. exports.

We also believe that S. 1035 is unnecessary because the arrangement is serving the objectives that were set out for it. In fact, just last week, representatives from two major U.S. pipe and tube producers have told us that they are generally happy with the arrangement but are concerned about the composition of the imports that are coming into the United States in the form of pipe and tube, and particularly concerned with respect to oil country tubular goods (OCTG).

U.S. imports of pipe and tube from the EC have, for some time, reflected the decreased demand for these products, falling from a high of 285,000 tons in January 1982 to 30,000 net tons in July of this year, a drop of almost 90 percent. Import penetration of EC pipe and tube has also declined significantly. For the first 7 months of 1983, import penetration averaged 7.8 percent, down from a 16.1

percent level for the same period in 1982. Import penetration in the second quarter of this year was down to 7.6 percent, dramatically below the 17.5 percent level recorded in the second quarter of 1982. And July's import penetration level was down further, to 6.8 percent. These figures, we believe, demonstrate that the level of EC pipe and tube exports is steadily approaching the annual ceiling of 5.9 percent.

The Department of Commerce has developed sophisticated computer-assisted methods to monitor imports subject to the arrangement before census reports are available. These monitoring tools have proved extremely useful, both in verifying compliance and in anticipating problems.

The EC has cooperated in implementing the pipe and tube arrangement. We have met frequently with the EC to discuss pipe and tube; this issue has been raised in correspondence as well as in every quarterly and special consultation since the inception of the two steel trade arrangements.

Despite these generally encouraging signs with respect to pipe and tube generally, I am concerned over import levels in some product lines such as oil country tubular goods. In the early months of the arrangement, OCTG import penetration was far above the estimated 1979-81 average, reaching a high of 37 percent in March. While this was partially attributable to the increase in the absolute tonnage imported from the EC, the rapid deterioration of the U.S. market further exacerbated the problem. We notified the EC of our concern, with the expectation that later EC exports would reflect U.S. market conditions. These communications took place roughly in March to April of 1983.

Initially, it appeared that our expectation that the numbers would come down was quite well-founded. Based on the date of export—and this is based on the dates that are used for compliance with the arrangement—the EC shipped only 8.75 percent of U.S. apparent consumption of OCTG in the combined months of April and May. Since April, EC exports of OCTG have been averaging about 6,000 net tons per month, compared to an average of 68,000 tons per month in 1982. We believe that these numbers do show that the EC has been attempting to change its market behavior based on the changing situation with respect to the U.S. market.

However, I should point out that we have recently learned from a report from our Customs Service that a very large shipment of OCTG has recently been imported by a domestic steel producer. It will be reflected in the Census Survey Month statistics for August, due to be released on September 28. This shipment was imported under a contract predating the arrangement. The U.S. producer involved had not imported any OCTG for several months prior to this latest shipment, and frankly, we are concerned as to how this may affect the pipe and tube arrangement and will raise this issue when we meet with the representatives of the European Communities, for the quarterly arrangement consultations which are scheduled to begin on Monday, September 26.

I should stress, however, that aside from this large shipment which we have just learned about, we do believe that the arrangement is working very effectively.



In conclusion, Mr. Chairman, I believe the arrangement as it was originally negotiated remains the best mechanism for resolving U.S.-EC pipe and tube trade problems. The arrangement was favored by the steel industry and continues to serve its objectives. Until we have had a chance to resolve this issue within the context of the arrangement, it would be premature to take any unilateral actions.

Thank you, Mr. Chairman.

[The prepared statement of Alan F. Holmer follows:]

STATEMENT OF ALAN F. HOLMER  
DEPUTY ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION  
DEPARTMENT OF COMMERCE  
Before the Senate Finance Committee  
September 19, 1983

Mr. Chairman, I am pleased to be here today to discuss S. 1035, the "Fair Trade in Pipe and Tube Products Act of 1983." We oppose passage of this bill. It would impose quotas on steel pipe and tube imports from the European Communities (EC) which would violate our international obligations under the GATT, and would invite compensation claims or retaliation.

I will first describe the Arrangement on Pipe and Tube Products (the Arrangement). I will then review its effect on pipe and tube imports from the EC and the basis for our opposition to S. 1035.

The Pipe and Tube Arrangement

To understand both the purpose and effectiveness of the Arrangement, we must recall the context in which it was negotiated. In January 1982, seven U.S. steel producers filed 132 antidumping (AD) and countervailing duty (CVD) petitions against imports of many steel products other than pipe and tube. More petitions were filed later, including four CVD cases covering only a small portion -- about 5

percent -- of total U.S. pipe and tube imports from the EC. These four cases involved certain welded pipes from France, Germany and Italy. None of the four investigations confirmed petitioners' allegations of injurious unfair trade. In preliminary determinations -- when incomplete information concerning alleged unfair trade practices generally results in findings against foreign exporters -- the Commerce Department found only de minimis subsidies for French and German pipe. The International Trade Commission preliminarily found that the Italian pipe imports were not injuring U.S. producers and terminated those cases.

At the request of both the EC and the U.S. industry, we negotiated for months with the EC, trying to resolve the steel trade dispute through agreement rather than AD and CVD cases. An agreement was finally reached -- the Arrangement Concerning Trade in Certain Steel Products -- which both defused a major trade dispute with our European allies and provided relief from injurious unfair trade to our own steel industry. The certain steel products arrangement has worked well. While total steel imports in the first seven months of 1983 were 18 percent below the level for the same period of 1982, imports from the EC were down 42 percent.

Throughout the negotiations, U.S. steelmakers refused to withdraw petitions in any pending steel cases unless the agreement satisfactorily covered pipe and tube imports as well. Without agreement on pipe and tube, none of the unfair trade cases would

have been settled. But the pipe and tube issue was complex and explosive; it not only threatened U.S.-EC efforts to resolve a serious trade dispute, but also caused serious divisions within the EC. The EC either would not or could not agree to treat its pipe and tube exports to the U.S. the same as other steel products for two reasons: (1) unlike many EC carbon steel products, EC pipe and tube exports had not been found to be unfairly traded, and (2) the EC pipe and tube industry is separate from the EC steel producers that were involved in the unfair trade.

Since the U.S. industry insisted on some kind of pipe and tube agreement and the EC was constrained in what it could offer, we concluded an agreement designed to limit EC exports of pipe and tube to the United States without requiring export licensing. The Arrangement is intended to prevent trade diversion in EC exports from products licensed under the certain steel products arrangement into pipe and tube, and to prevent distortion in the pattern of U.S.-EC trade within the pipe and tube sector. The Arrangement states that diversion will not occur insofar as EC exports of total pipe and tube do not exceed their 1979-1981 average -- 5.9 percent -- of U.S. apparent consumption of these products. It provides for consultations if problems arise in U.S.-EC pipe and tube trade -- in particular, if diversion appears likely or if distortion occurs.

The Arrangement on Pipe and Tube and the Arrangement on Certain Steel Products are the result of long, arduous negotiations on both

sides of the Atlantic. The Arrangement was acceptable to the 15 petitioning U.S. steelmakers, including six producers of pipe and tube. These producers agreed to both arrangements on October 21, 1982, and withdrew petitions in 44 cases, including the two pending cases on French and German welded pipe and tube products.

This bill purports to provide "enforcement authority" for the pipe and tube arrangement. If this bill were enacted, it is likely that there would be no Arrangement left to enforce. What the bill really does is transform a carefully negotiated international agreement on a highly sensitive subject into a unilateral quota. This was never agreed to -- and was not insisted upon by the U.S. producers who supported and benefit from the Arrangement.

#### Quotas Are Unjustified

We oppose S. 1035 on two grounds: quotas are both unjustified and unnecessary. We don't believe that automatic unilateral quotas on pipe and tube exports from the EC are justified for several reasons. First, the proposed bill would declare that the U.S. pipe and tube industry has been injured by imports, without supporting evidence or an opportunity for interested parties to comment. Such a broad declaration would now be unwarranted since pipe and tube imports from the EC have declined, both absolutely and relatively.

Second, under some circumstances, EC exports could possibly exceed the Arrangement's specified limit without justifying any unilateral U.S. action. For example, imports of pipe and tube by the U.S. pipe and tube industry itself could cause imports to exceed the specified limit. This is not just a remote possibility. A substantial portion of EC pipe and tube exports to the U.S. are now imported by the U.S. pipe and tube industry.

Third, we haven't found EC pipe and tube products to be unfairly traded. Current law allows import restraint of fairly traded goods only if increased imports are found to be a substantial cause of serious injury. Without such findings, unilaterally imposing quotas would constitute naked protectionism and would violate our international obligations under the GATT.

Fourth, quotas in violation of the GATT are likely to trigger retaliation by the EC against U.S. exports. Even if we imposed quotas consistent with the GATT (i.e. those adopted only after injury to the U.S. industry is properly shown), the EC would be entitled to compensation through a lowering of U.S. duties on other goods. Given the EC's heated reaction to the President's section 201 decision to grant import relief on specialty steel, we believe the Community would either press hard for compensation or retaliate should the unilateral measures provided by this bill be imposed.

Quotas Are Unnecessary

We also believe that S. 1035 is unnecessary because the Arrangement is serving its objectives. U.S. imports of pipe and tube from the EC have for some time reflected the decrease in U.S. demand for these products, falling from a high of 285 thousand net tons in January 1982 to only 30 thousand tons in July of this year, a decline of almost 90 percent. Import penetration of EC pipe and tube has also declined significantly. In the first seven months of 1983, EC pipe and tube import penetration averaged 7.8 percent, less than half of the 16.1 percent level for the same period last year. Import penetration was only 7.6 percent in the second quarter of this year, which is dramatically below the 17.5 percent level recorded in the second quarter of 1982. July's import penetration level was even lower, at 6.8 percent. These figures demonstrate that the level of total EC pipe and tube exports is steadily approaching the annual ceiling of 5.9 percent.

The Department of Commerce has developed sophisticated, computer-assisted methods to monitor imports subject to the Arrangement before Census reports are available. These monitoring tools have proved extremely useful both in verifying compliance and in anticipating problems.

The EC has cooperated in implementing the pipe and tube arrangement. We have met frequently with the EC to discuss pipe and tube; this issue has been raised in correspondence as well as in every quarterly

and special consultation since the inception of the two steel trade arrangements.

The EC Commission has established a government-industry liaison committee to ensure that its pipe and tube producers are aware of U.S. market trends and forecasts, the overall level of EC exports, and any U.S. concerns. This committee has helped the EC Commission to monitor pipe and tube exports to the U.S. and to ensure compliance with the Arrangement.

Despite these encouraging signs, I am concerned over import levels in some individual product lines -- such as oil country tubular goods (OCTG). In the early months of the Arrangement, OCTG import penetration was far above the estimated 1979-1981 average of 8.76 percent, reaching a high of 37 percent in March. While this was partially attributable to an increase in the absolute tonnage imported from the EC, the rapid deterioration of the U.S. market exacerbated the problem. While we notified the EC of our concern, compliance with the Arrangement is determined on a year-end basis. It was our expectation that later EC exports would reflect U.S. market conditions.

Initially, it appeared that this expectation was well-founded. Based on date of export, the EC shipped only 8.75 percent of U.S. apparent consumption of OCTG in the combined months of April and May. Since April, EC exports of OCTG had been averaging about 6,000



net tons per month, compared to an average of 68,000 tons per month in 1982.

However, I just learned from a report from our Customs Service that a very large shipment of OCTG has recently been imported by a domestic steel producer. It will be reflected in Census Survey Month statistics for August, due to be released on September 28. This shipment was imported under a contract pre-dating the Arrangement. The U.S. producer involved had not imported any OCTG for several months prior to this latest shipment. We are concerned about how this may effect the pipe and tube arrangement, and will raise this issue when we meet with the EC for the quarterly Arrangement consultations on September 26.

In conclusion, Mr. Chairman, I believe that the Arrangement -- as it was originally negotiated -- remains the best mechanism for resolving U.S.-EC pipe and tube trade problems. The Arrangement was favored by the steel industry and continues to serve its objectives. Until we have had a chance to resolve this issue within the context of the Arrangement, it would be premature to take any unilateral actions. Furthermore, unilateral automatic quotas would now be unjustified since neither unfair trade practices nor injury due to imports have been found, and quotas would violate our international obligations and trigger retaliation. For these reasons we oppose this bill.

Thank you, Mr. Chairman. I will be happy to respond to any questions you and the other committee members might have.

Senator DANFORTH. Thank you, sir.

Let me just see if I can get this straight in my own mind. We have a basic steel products agreement, is that correct?

Mr. HOLMER. Yes.

Senator DANFORTH. And that covers a range of steel products manufactured in Europe?

Mr. HOLMER. Yes.

Senator DANFORTH. And it limits the extent to which those products can be exported from Europe to the United States?

Mr. HOLMER. That is correct.

Senator DANFORTH. And then there is an enforcement mechanism that we can employ, should that agreement be violated. Is that right?

Mr. HOLMER. Yes, that's correct.

Senator DANFORTH. Mr. Spetrini, let me apologize; I didn't call on you. Would you like to add anything to the testimony?

Mr. SPETRINI. No. Thank you.

Senator DANFORTH. Then, in addition to the basic steel products agreement, we have a second and separate arrangement it's called, not an agreement. Is there a difference between an agreement and an arrangement?

Mr. HOLMER. Well, they are both referred to as agreements and as arrangements.

Senator DANFORTH. Oh. OK. That was confusing.

Mr. HOLMER. They are also both referred to as "an exchange of letters."

Senator DANFORTH. Well, let's call them both agreements. We have a separate agreement, then, with respect to steel tube products used for oil production or oil drilling. Is that right?

Mr. HOLMER. Well, let me explain the context in which the pipe and tube arrangement came into being.

The concern was that you have this basic steel arrangement covering 10 steel products.

Senator DANFORTH. Right.

Mr. HOLMER. There was concern that there might be diversion of products from those steel products into pipe and tube, and there might be an increase with respect to pipe and tube exports to the United States.

Senator DANFORTH. Yes.

Mr. HOLMER. There was also concern that there might be distortions within the pipe and tube sector. For example, in a classic case of distortion, an EC producer might attempt to produce a larger portion of pipe and tube in the more highly valued products such as oil country tubular goods in order to be able to maximize his profit margins.

Senator DANFORTH. Yes.

Mr. HOLMER. So this separate arrangement is really intended to be as a complement to the other arrangement and to prevent diversion from that arrangement and distortion within the pipe and tube sector.

Senator DANFORTH. That was a reasonable objective, wasn't it?

Mr. HOLMER. Certainly.

Senator DANFORTH. It does stand to reason that, if there is a limitation on exports for products 1 through 10, and product line 11 is

still open, that a tremendous amount of energy and investment will be placed on product line No. 11 to increase the exports for that product line. I assume that was what was intended by entering into the separate agreement for tubes. That there would be some limitation placed on that 11th product line, correct?

Mr. HOLMER. Yes. There was concern about the possibility of diversion from general steel products to pipe and tube.

Senator DANFORTH. Right.

Now then, there was an enforcement mechanism set up for the basic steel arrangement—what, just in a nutshell, was that enforcement procedure?

Mr. HOLMER. I think Mr. Spetrini should review that for you.

Mr. SPETRINI. It's a double type of enforcement, really. The European Communities operate an export licensing system whereby the steel covered by those 10 product categories must be licensed when it is exported to the United States from the European Communities. And on the U.S. side, we will not accept importation into the United States of those steel products unless they are accompanied by a valid certificate indicating that it was licensed.

In this case, however, I would point out that as far as the basic objective of avoiding diversion from the 10 products into the 11th—given that exports of that 11th product category are down both in relative terms, that is, import penetration, and in terms of absolute tonnages—that 11th product category has been well served by this arrangement.

Senator DANFORTH. Well, the testimony of Senator Tower and Congressman Hance was that this enforcement mechanism is absent for these tube products, and therefore, as I understand it, if there are two agreements and one is enforceable and the other is not enforceable, you haven't stopped the pressure on the one that isn't enforceable.

Mr. HOLMER. Well, we believe that in a situation where, as Mr. Spetrini indicated, where the import penetration levels have gone down from 16.1 percent in the first 7 months of 1982, to 7.8 percent in the first 7 months of 1983, we have had a very successful means of being able to achieve the objectives of the arrangement. The objective has been to get that number down roughly to the 5.9 percent range.

Senator DANFORTH. Are you talking about the tubes for oil production?

Mr. HOLMER. No, we are talking about pipe and tube generally, in terms of getting the overall number down to the 5.9 percent range. And, again, the compliance figure that you are looking at to determine whether or not there has been compliance with the arrangement is a year-end figure, based on whether or not at the end of this year we are able to see that they have come in at near or under 5.9 percent. And the numbers that we have seen to date would indicate that they will come in at that level. We have every reason to believe that they will comply with the terms of the arrangement as it relates to the 5.9 percent.

Senator DANFORTH. Just to try to simplify it, I don't understand why it is unreasonable for people who are in the business of producing pipe and tube products to want the same enforcement for

their products as the basic steel agreement provides. Is that an unreasonable request on their part?

Mr. HOLMER. Well, the question is, how do you achieve what it is that they would like to achieve? I would assume that would probably have been an objective they would like to have achieved when the arrangement was negotiated in 1982. They were not able to do that. And I think one of the principal reasons why they were not was that there were not any findings in 1982 that there was evidence of any unfair trading or injury on the part of EC exporters of pipe and tube to the United States. That's the first problem.

The second is, the items that I indicated in my testimony in terms of the difficulty that the Congress and the U.S. Government would have, in terms of enacting unilaterally—not in conjunction with the EC but unilaterally—essentially a quota bill without any—

Senator DANFORTH. But a "quota bill" connotes a substantive change in the law. What Senator Tower and Congressman Hance were asking for, as I understand it, is not a substantive change in the law.

Mr. HOLMER. Well, Mr. Chairman, I would have to disagree I think, with the statement that Senator Tower and Congressman Hance made that there would not be a substantive change in the arrangement by establishing a quota.

Again, what the pipe and tube arrangement says is that the EC believes there would not be diversion if their exports to the United States during this 14 month period did not exceed the average import penetration level from 1979 to 1981. The arrangement also states a desire that there not be distortion within pipe and tube. The question is, what is distortion?

Distortion is not defined within the arrangement. As a monitoring device, we have attempted to set out seven separate subcategories, one of which is oil country tubular goods, and the 1979 to 1981 figure for oil country tubular goods is 8.76 percent.

As evidence of the fact that it seems the EC has been attempting to address this distortion issue, is the fact that during the first 5 months of the arrangement the evidence that we have is that they were attempting to look at distortion by comparing the level of EC imports of oil country tubular goods with the level of EC imports of total pipe and tube into the United States. Those numbers indicated that they had a lesser percentage of OCTG in comparison with total pipe and tube during the first 5 months of this arrangement than they had averaged during the course of 1979 to 1981.

We then provided them with this new subcategory breakout, expressed to them some concerns that we had with respect to the level of imports of OCTG, and the numbers went down rather markedly, such that in April and May the level of exports of oil country tubular goods have averaged 6,000 tons per month compared to imports averaging 68,000 tons per month in 1982.

Senator DANFORTH. I know you can inundate me with facts, but if I had a house on a block where there were 10 other houses, and the police department took the position that it was going to enforce the law with respect to 10 of the houses and not my house, I would be a little bit concerned that the burglars would be breaking into

my house. And that is my understanding of the concern that is expressed by Senator Tower and Congressman Hance.

I don't understand why it is impossible to provide this one industry with the same kind of enforcement that is provided the others.

Mr. HOLMER. Well, it was not able to be achieved in 1982 because the EC, for whatever reasons, was not willing to include the specific licensing provisions and the specific breakouts in the arrangement.

There has been no——

Senator DANFORTH. So therefore there is nothing that we can do?

Mr. HOLMER. Well, I think thus far we have had great success in terms of achieving a reduction of the import penetration numbers with respect to pipe and tube generally and also with respect to oil country tubular goods. We are optimistic that that kind of effort is going to be able to continue.

But the point that I wanted to stress: When Senator Tower states that there is no change with respect to the arrangement, no substantive change, I think that's incorrect, because there never was any agreement with the EC that they would limit oil country tubular goods to 8.76 percent, or any other category to any other specific amount.

There was agreement that they would attempt to avoid diversion, and they stated that they felt there would not be diversion to the extent that they were down to the 5.9——

Senator DANFORTH. A kind of honor system?

Mr. HOLMER. To a degree. We believe thus far they have behaved honorably in attempting to enforce the arrangement.

Senator DANFORTH. All right. Well, we will hear more in a minute on that question from the panel.

Can you do anything for this industry, or is the honor system as far as the administration is concerned? I thought the Department of Commerce was supposed to be this great tiger in international trade—so aggressive and such a go-getter, that we're supposed to abolish the USTR and ship it over to the Commerce Department.

Now we find that we've got an honor system operation on tubular products.

Mr. HOLMER. We think the fact that we have been able to get the import penetration numbers down from 14.4 percent in 1982 to 6.8 percent in July of this year is an impressive achievement. And we have every reason to believe that the European Communities will meet the commitments that they have made to us, that they will meet the overall objective of 5.9 percent.

Senator DANFORTH. And if they don't?

Mr. HOLMER. Well, there are a number of options that are available.

Senator DANFORTH. What are they?

Mr. HOLMER. One we can invoke special consultations with them which may be characterized as "more talk," but special consultations, do have a way of getting the attention of the officials from the European Communities. Although this issue has been raised every time we have met in quarterly consultations we have not requested special consultations.

Senator DANFORTH. I want to say this about the European Community: I haven't noticed consultations getting anywhere with

them. I was consulting last week with the Trade Minister from France. It is one of the toughest conversations I have ever been in in my life. I don't think that there was any give at all. I think that there is a growing tendency on the part of the European Community to take advantage of every situation that it can—fair or unfair. And the idea that we are going to rely on law enforcement with respect to 10 product lines and conversational eloquence with respect to the 11th product line is one that I'm very dubious of.

Mr. SPETRINI. The consultation provisions in both the main arrangement, with respect to possible diversion from licensed products and from nonlicensed products within the body of the main arrangement, as well as with respect to pipe and tube, have performed remarkably well. The facts are in the numbers. We have had no problems in the administration of the main arrangement, and in the case of pipe and tube, the declines are marked.

Now, there are individual segments of producers in the United States, as opposed to the entire pipe and tube industry, which have concerns which we have communicated to the Europeans, and which we have seen a clear market response on in the past few months—6,000 tons a month in April and May, a radical departure from imports of the 10 times this amount a month in previous periods. There has been a genuine response.

You may think that this provision has no teeth, but the proof is in the pudding. And in this case, to transform a working agreement into a quota bill is to pay for the same things twice—we've paid for this arrangement. We have it. Why pay for the same thing twice?

Senator DANFORTH. Do you have any suggestions to make to Senator Tower and Congressman Hance about how to amend their legislation so that it does not have the substantive effect but does provide better enforcement?

Mr. HOLMER. I don't know that it is possible to amend it and hit those specific categories without really changing the substance of the arrangement and without creating problems under the GATT and posing the possibility of retaliation or compensation.

Let me mention one other thing in response to the thrust of your questions. I think it is important to note that you do have two separate arrangements and two separate kinds of enforcement mechanisms, because in one instance, with respect to the basic steel arrangement, you had proven cases of unfair trade, with very high dumping margins.

With respect to pipe and tube, it's a different situation, and there has not been and was not proof of unfair trade.

I would like to emphasize also that not all members of the pipe and tube industry in the United States are complaining with respect to the arrangement and its workability and its effectiveness.

Senator DANFORTH. Could the U.S. industry file an antidumping case?

Mr. HOLMER. If the U.S. industry wanted to dissolve the arrangement, they could. But that would be the effect.

Senator DANFORTH. It would dissolve the arrangement?

Mr. HOLMER. Right, under the provisions of the arrangement.

Senator DANFORTH. And also the forum it would be in would be the Commerce Department.

Mr. HOLMER. That's also correct.

Senator DANFORTH. Senator Bentsen has an opening statement which he would like included in the record. He is unavoidably unable to be here. And he also has some questions which he would like to submit to you, Mr. Holmer, and if you could provide written answers to the questions.

Mr. HOLMER. We would be happy to.

Senator DANFORTH. Thank you, sir.

[Senator Bentsen's questions and Secretary Holmer's responses thereto follow:]

QUESTIONS SUBMITTED BY SENATOR BENTSEN AND SECRETARY HOLMER'S RESPONSES  
THERE TO

*Question 1.* Do you expect the European Communities (EC) to prevent, by export controls if necessary, exports to the United States of steel pipe and tube in greater amounts than the average set forth in paragraph A of the pipe and tube arrangement?

Answer. We do expect the Commission of the European Communities to ensure that the terms of the pipe and tube arrangement (the "Arrangement") are fully met. Paragraph A of the Arrangement states that diversion from products licensed under the certain steel products arrangement into pipe and tube will not occur if EC exports of total pipe and tube products do not exceed their 1979-1981 average share of U.S. apparent consumption.

The EC has reduced its exports of pipe and tube products dramatically since the Arrangement went into effect on November 1, 1982. In the first ten months of 1983, U.S. imports of pipe and tube from the EC were down 74 percent from their level during the first ten months of 1982. EC import penetration dropped from 15.5 percent in the first ten months of 1983 to 7.7 percent in the same period this year. These figures demonstrate the progress the EC has made in getting its pipe and tube exports down towards the 1979-1981 average level referenced in the Arrangement. Moreover, U.S. pipe and tube producers have themselves purchased a substantial portion of EC pipe and tube exports since the Arrangement went into effect. We are continuing to cooperate with European Commission officials in our mutual efforts to obtain full compliance with the terms of the pipe and tube arrangement.

*Question 2.* If the EC does not prevent such excessive exports, what can the United States do, other than talk? Does the United States have authority to impose a quota on customs entries in excess of paragraph A levels?

Answer. The Arrangement is intended to prevent diversion into pipe and tube products and distortion within the pattern of U.S.-EC pipe and tube trade, and provides a consultative mechanism in the event such problems may arise. There are a number of enforcement means available if problems cannot be resolved through consultations. We could use our antidumping, countervailing duty or Section 301 statutes where unfair trade practices may be the cause of an import problem. It would be premature for me to speculate at this point which of these measures we might use. The selection of a specific measure would depend upon the nature of the distortion or diversion which was the topic of the consultations. We believe, however, that the consultation provisions will result in a cooperative solution to problems which arise, particularly because we do have the legal means to address such problems. The Department of Commerce will ensure that the Arrangement achieves its objectives, even if it requires strong measures on our part.

Senator DANFORTH. Senator Heinz.

Senator HEINZ. Mr. Holmer, regarding last fall's agreement with the EC on steel, the subject of pipe and tube was raised with the Europeans. Was it raised just in passing or was it raised aggressively with the Europeans?

Mr. HOLMER. My understanding is it was raised quite aggressively and insistently, but I will let Mr. Spetrini respond to that more specifically.

Mr. SPETRINI. Senator, there almost was no agreement with the European Communities on steel at all because of pipe and tube. The U.S. industry made it crystal clear to us that there would be

no withdrawal of the 44 cases they had pending against the European Communities unless we achieved the negotiation of a satisfactory Pipe and Tube arrangement. And on October 21 they withdrew those 44 cases. It nearly did not make it. Those last 36 hours it almost failed, as I'm sure you know, because of pipe and tube.

Senator HEINZ. I follow the steel industry only passingly. [Laughter.]

What was the agreement, if any, on pipe and tube that permitted the industry to go forward with their part of the arrangement and to withdraw all of the cases?

Mr. HOLMER. What was the pipe and tube arrangement?

Senator HEINZ. What was the understanding between the Europeans and the United States on pipe and tube that was apparently sufficient to get U.S. producers to withdraw?

Mr. SPETRINI. Basically, that our pipe and tube producers needn't fear basically an export drive or an attempt to move to avoid the restraints of the main arrangement by shipping the stuff, increasing in relative or absolute terms their shipments of pipe and tube. And also, within pipe and tube not to try to maximize total revenue by concentrating on the higher unit-value products.

Senator HEINZ. In other words, they wouldn't put anything in writing, but they wanted to make a gentlemen's agreement?

Mr. SPETRINI. Well, it's both. It is a gentlemen's agreement, yes; but it is in writing.

Senator HEINZ. That they would not take advantage of that category?

Mr. SPETRINI. Yes.

Senator HEINZ. Do you believe, based on the statistics that you have, that there have been substantial increases in pipe and tube, particularly as measured as a share of market?

Mr. HOLMER. Absolutely not. There have not been increases in pipe and tube, and indeed, the numbers have been very much in the opposite direction in 1983 compared to 1982.

Senator HEINZ. What about the share of market?

Mr. HOLMER. Share of market? The numbers are down, from 16.1 percent during the first 7 months of 1982, to 7.8 percent during the first 7 months of 1983.

Senator HEINZ. Now, that's for all products consumption?

Mr. HOLMER. That's for all pipe and tube.

Senator HEINZ. All pipe and tube.

And the concern here, though, is that OCTG EC import share has risen. Is that right?

Mr. HOLMER. That is correct. Mr. Spretini is getting the numbers.

During the first 7 months of the arrangement there was concern that the import penetration share with respect to OCTG was up. I don't know whether those numbers would show they were up in 1983 versus 1982, but they were up compared with the market share in the base years of 1979 to 1981.

I should note, however, that after we brought the issue and the subcategory to the attention of the European officials the numbers have come down substantially, such that in April and May—and those are the last months for which we have firm data—the import penetration number was down to 8.75 percent.



Senator HEINZ. OCTG is about half the entire pipe and tube category, is it not?

Mr. HOLMER. Roughly, yes, sir.

Senator HEINZ. To what do you attribute what would appear to be a relatively significant shift or change in direction of the product mix?

Mr. HOLMER. I think the principal thing that has happened is the market has continued to fall out from under the oil country tubular goods industry. If you look at the numbers, in February of 1983 the DRI market projection was 3.7 million tons for the 14 months of this arrangement. Three months later in May of 1983, they were predicting a number less than 50 percent of what they were predicting in February. They were predicting 1.7 million net tons of OCTG. That number is now down to 1.5 million net tons. The market just keeps falling and falling and falling away, and if you are trying to gauge behavior based on market share, the fact that the market is falling away presents a tremendous problem.

Senator HEINZ. And the market in the remaining half of that category has not deteriorated in the same way?

Mr. HOLMER. It has deteriorated far more in OCTG than it has in the remainder of pipe and tube.

Senator HEINZ. Do you have figures you could submit for the record on that?

Mr. HOLMER. We certainly do. And Mr. Spetrini may have some additional items to give you right now.

Mr. SPETRINI. As far as the overall oil country tubular goods, in the first 7 months of last year it was 19.8; in the first 7 months of this year it was 20.0—an increase of .2 percent. However, in the month of June it was 9.96, and in July it was 11.66. It's just recently that we have this response to this new information that we have provided.

Senator HEINZ. What would cause the rise? If you could provide them by month for 1982 and 1983, to date, the domestic market consumption numbers for OCTG on the one hand and all products minus OCTG on the other.

[The letter in reply and figures follow:]

U.S. DEPARTMENT OF COMMERCE,  
INTERNATIONAL TRADE ADMINISTRATION,  
*Washington, D.C., October 13, 1983.*

Hon. JOHN HEINZ,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR HEINZ: I appreciated the opportunity to testify on S. 1035 on September 19, and discuss the operation of the U.S.-EC pipe and tube arrangement. At that time, you asked us to supply additional information on the U.S. pipe and tube market.

I explained in my testimony that the OCTG market has deteriorated markedly and to a greater extent than the overall pipe and tube market. Enclosed is a table showing that apparent consumption of OCTG fell from a high of 2,047 thousand net tons in the first quarter of 1981 to 242 thousand net tons in the second quarter of this year—down 88 percent. In this same period U.S. apparent consumption of other pipe and tube products declined by 40 percent.

We are concerned about the condition of all segments of the pipe and tube market and are working to ensure that the terms of the pipe and tube arrangement are met.

Sincerely,

ALAN F. HOLMER,  
Deputy Assistant Secretary  
for Import Administration.

Enclosure.

# APPARENT CONSUMPTION OF OCTG IN RELATION TO OTHER PIPE AND TUBE

[Thousand net tons]

	OCTG	Other pipe and tube	OCTG as share of other pipe and tube (percent)
Quarterly, United States:			
1981:1.....	1,559	2,111	73.9
1981:2.....	1,810	2,520	71.8
1981:3.....	1,896	2,430	78.0
1981:4.....	1,928	2,129	90.6
1982:1.....	2,047	1,892	108.2
1982:2.....	1,244	1,755	70.9
1982:3.....	545	1,217	44.8
1982:4.....	290	857	33.8
1983:1.....	245	923	26.5
1983:2.....	242	1,144	21.2
Monthly, United States:			
1982:1.....	829	626	132.4
1982:2.....	649	662	98.1
1982:3.....	537	611	87.9
1982:4.....	485	554	87.5
1982:5.....	467	631	74.1
1982:6.....	292	571	51.1
1982:7.....	199	478	41.6
1982:8.....	224	390	57.4
1982:9.....	123	345	35.6
1982:10.....	88	325	27.1
1982:11.....	99	288	34.5
1982:12.....	100	244	40.8
1983:1.....	80	268	29.7
1983:2.....	82	305	26.8
1983:3.....	84	359	23.3
1983:4.....	78	366	21.4
1983:5.....	92	393	23.4
1983:6.....	71	385	18.6
1983:7.....	85	362	23.6

Senator DANFORTH. One further question, Mr. Holmer. The basic steel arrangement provides that it may be enlarged to cover additional products if diversion occurs in other sectors. If in fact there are significant increases in U.S. imports of OCTG from the EC, will the administration consider seeking the expansion of the basic arrangement to cover such products?

Mr. SPETRINI. Senator, the main arrangement provides for taking products that are already under this arrangement as consultation products—as opposed to products which require licensing—and adding them to those requiring licensing.

In other words, products that are already covered by that same arrangement can be shifted from a consultation category into licensing, as opposed to the pipe and tube products which are under a separate arrangement.

Senator DANFORTH. So the basic steel arrangement does not cover products that are not within the arrangement itself?

Mr. SPETRINI. Right.

Senator DANFORTH. All right, gentlemen, thank you very much.

Mr. HOLMER. Thank you.

Senator DANFORTH. Next we have Mr. Knox, and Mr. Head, and Mr. Renner.

**STATEMENT OF JAMES E. KNOX, VICE PRESIDENT AND GENERAL COUNSEL, LONE STAR STEEL CO., DALLAS, TEX., ACCOMPANIED BY JAMES W. CHENOWETH, ACCOUNT EXECUTIVE, AND RICHARD R. RIVERS, PARTNER, AKIN, GUMP, STRAUSS, HAUER, & FELD, WASHINGTON, D.C.**

Mr. KNOX. Thank you, Mr. Chairman and Senators Heinz and Symms.

I am Jim Knox, vice president and general counsel of Lone Star Steel Co. I am accompanied by Jim Chenoweth of Lone Star, who has been meeting with the Commerce Department on implementation of the pipe and tube arrangement with the European Communities, and Richard Rivers of Akin, Gump, Strauss, Hauer & Feld, our trade counsel.

We appreciate this opportunity to present our views in support of S. 1035. We are here because of the importance of this bill to our company and our 7,000 employees, two-thirds of whom are currently laid off.

Mr. Chairman, I am going to summarize the written testimony I have submitted to this committee. I respectfully request that the full written testimony be accepted for the record. I would also like to add to the record a copy of the actual pipe and tube arrangement.

Our business, the production of casing and tubing for oil and gas wells, known as Oil Country Tubular Goods or OCTG, is being hurt by the recent steel arrangements with the EC. In settling unfair trade practices involving carbon steel products other than pipe and tube, the Government has in effect built a dam which threatens our business with a deluge of imports diverted by this dam. The pipe and tube arrangement was supposed to extend this dam to protect pipe and tube markets like OCTG. We are here today to report that this extension is leaking badly. The pipe and tube arrangement is full of holes, and neither the Commerce Department nor the EC seems willing to plug the leaks.

Specifically, the Government has given us an agreement which not only is ineffective because it is unenforceable but also eliminates our rights to initiate antidumping or countervailing duty cases against unfair EC trade practices.

The Government earlier today made the point that there was no finding of injury concerning OCTG. This is an incorrect impression, because we were never given the opportunity to file trade cases before the Government negotiated these arrangements with the EC which deprive us of our right to do so.

We believe that Congress and the administration should either protect us by making enforceable the pipe and tube arrangement, or by removing both arrangements. Since cancellation of the ar-

rangements is neither practical nor advisable, S. 1035 resolves this dilemma by confirming the enforcement of the pipe and tube arrangement.

The United States consumes more than two-thirds of the free world's usage of OCTG. Nevertheless, imports—and in particular, imports from the EC—have been rising at an alarming rate.

Mr. KNOX. As shown by this pie chart (chart I),<sup>1</sup> the EC's share of the U.S. OCTG market went from 2 percent in 1979 to almost 20 percent in 1982. This is continuing in 1983, but I will address this more, later.

The Department of Commerce seems to believe that the pipe and tube arrangement is enforceable only on an overall basis, but not enforceable by categories of pipe and tube such as OCTG. The Europeans deny it is enforceable at all. Viscount Davignon, who signed the arrangement for the EC, was quoted the following day as saying, "There is no control of pipe and tube exports to the United States."

Without categories, the pipe and tube arrangement is meaningless. Pipe and tube is not a market. Reductions in overall pipe and tube import penetration is not relevant if the EC is increasing its share of your product category, as is happening to us. This was well understood at the time the arrangement was executed. At that time the Secretary of Commerce wrote the CEO's of several leading U.S. steel companies that the only reason these product categories were not put in the arrangement was, "the historical data on pipe and tube and the 1982 changes in the U.S. tariff schedule preclude precise identification of product categories at this time." The Secretary further assured the CEO's that "We will consult with the EC upon entry into force of the arrangements to identify relevant product categories for the purposes of the pipe and tube arrangement."

If it was never understood that there would be categories in the pipe and tube arrangement, then why did our own Secretary of Commerce tell our domestic industry that there would be?

The EC has not limited and does not intend to limit its exports to the historic market share for individual categories. This is illustrated by this bar chart (chart II), which shows the EC's market share for each year since 1978, and for each month of the current year.

As you can see, even though there has been some variation from month-to-month in 1983, the EC has taken over 20 percent of the market for OCTG. This is nearly two and one-half times its 1979 to 1981 historic market share of 8.76 percent.

On this next chart (chart III), EC shipments of OCTG during the first 9 months of the arrangement, since November 1982, are shown as the mercury in a thermometer. If the market for OCTG continues at its present level, the EC has already exceeded its allowable tonnage for the year by the amount of the red portion of the mercury.

Even if the official forecast is correct and the market increases, the EC will still have to reduce substantially its exports for the remainder of the year to comply with the arrangement. The 21,600 tons remaining to the EC under the official forecast is represented

<sup>1</sup> Charts referred to may be found in Mr. Knox's prepared statement.

by the white area in the thermometer. One need not speculate on the likelihood of the EC cutting its exports for the last 5 months of this year to one-third the level of exports of the first 9 months of the arrangement. The EC mills themselves have told the marketplace that they have no intention of doing so. Indeed, they are increasing their advertising, opening new sales offices, and telling potential customers they are going to increase their exports to the United States in 1983.

For example, a letter widely distributed in the market place by a representative of one of the smaller EC mills boldly states that it has "agreed to sell 7,000 tons of new production per month beginning with October production." This 21,000 tons is by itself almost all the tonnage remaining to the EC under the most optimistic projection of the market—and I emphasize this is only one example of the offers being made in the marketplace.

The inability to enforce the categories of the pipe and tube arrangement puts the American OCTG industry in an impossible situation. It has been effectively deprived of the protection of our existing trade laws and left subject to diversion from other EC steel production. Only Congress can solve this dilemma.

Before concluding, I would like to address two points that the Government has previously made which were not addressed by my written testimony.

One, the Government says that the problem is imports by one of our competitors. Well, first, it doesn't make the injury any less because it's being done by our neighbors. But, second, this argument is circular; because if the arrangement were enforceable, the United States mill would not be bound by the contract which the Government says is causing such imports.

Second—and I guess I'm reemphasizing now—the Government has said that categories were not contemplated as an enforcement mechanism at the time the arrangement was entered into. Yet, we were told that there would be categories, and the arrangement specifically talks about enforcement within the U.S. legislative and regulatory framework.

Mr. Chairman, I would be pleased to answer any questions which the members of the committee may have.

[Mr. Knox's prepared statement follows:]

TESTIMONY OF JAMES E. KNOX, VICE PRESIDENT AND GENERAL COUNSEL, LONE STAR  
STEEL CO.

Mr. Chairman and members of the Committee, I am Jim Knox, Vice President and General Counsel of Lone Star Steel Company. I am accompanied by Jim Chenoweth of Lone Star Steel who has been meeting with the Commerce Department on the implementation of the pipe and tube arrangement with the European Communities, and Richard Rivers of Akin, Gump, Strauss, Hauer & Feld, our trade counsel. These gentlemen will assist me in responding to your questions.

We appreciate this opportunity to present our views in support of S. 1035, the "Fair Trade in Steel Pipe and Tube Products Act of 1983." We are here because of the importance of this bill to our company and our almost 7,000 employees, two-thirds of whom are currently laid off.

I will explain how our business, the production of casing and tubing for oil and gas wells, is being hurt by the recent bilateral trade arrangements with the EC concerning various steel products. The government, to settle unfair trade practices involving other steel products has in effect built a dam which threatens our business with a deluge of imports diverted by this dam. To protect us against this diversion, the government has given us an agreement which not only is ineffective because it is unenforceable, but effectively eliminates our rights to initiate antidumping or countervailing duty cases against unfair EC trade practices.

You should either protect us from this dam by making enforceable the steel pipe and tube arrangement with the EC or remove the dam and restore our ability to protect ourselves under existing trade laws. S. 1035 resolves this dilemma by confirming the enforcement of the arrangement.

Mr. Chairman, let me take a moment to describe Lone Star Steel. We are an efficient, fully integrated producer of steel pipe and tube products. Our plant is located in East Texas and our administrative office is in Dallas. Our principal product line is casing and tubing for use in oil and gas wells. Casing and tubing, together with drill pipe which we do not produce, is collectively known as Oil Country Tubular Goods, or OCTG. We also produce a wide variety of cold drawn mechanical tubing products.

Our products are sought throughout the world. We have exceptional quality, proprietary processes and designs, the ability and willingness to meet the needs of the oil industry, and the reputation as a company that stands behind its products.

Lone Star Steel and its employees have been doing all we can do to meet the challenge of imports. Since 1975, Lone Star Steel has invested approximately \$500 million to update and improve our mill facilities. These state of the art improvements include new electric arc furnaces, a continuous caster, extrusion presses, a 70 oven coke battery, a new iron ore sinter plant, a hot blast cupola, and pipe production and finishing equipment, such as threaders, induction heaters, quenching lines and testing equipment.

We can and will change our production schedule on the shortest notice to produce an item needed by a customer. In 1973, when there was a temporary shortage of OCTG, we developed a unique program for independent oil and gas producers to set aside enough pipe to complete a well a day. In addition, we held our prices during a time when foreign mills were charging U.S. customers prices two to three times the going rate. This commitment to quality and service has enabled Lone Star Steel to become one of the leading producers of OCTG in the world.

Our production and maintenance employees have recently shown their determination to keep Lone Star Steel competitive by voting to take a 20% wage cut and reductions in other benefits. But dramatic wage cuts, massive investments, sharp price reductions and hard work cannot combat unfairly traded imports.

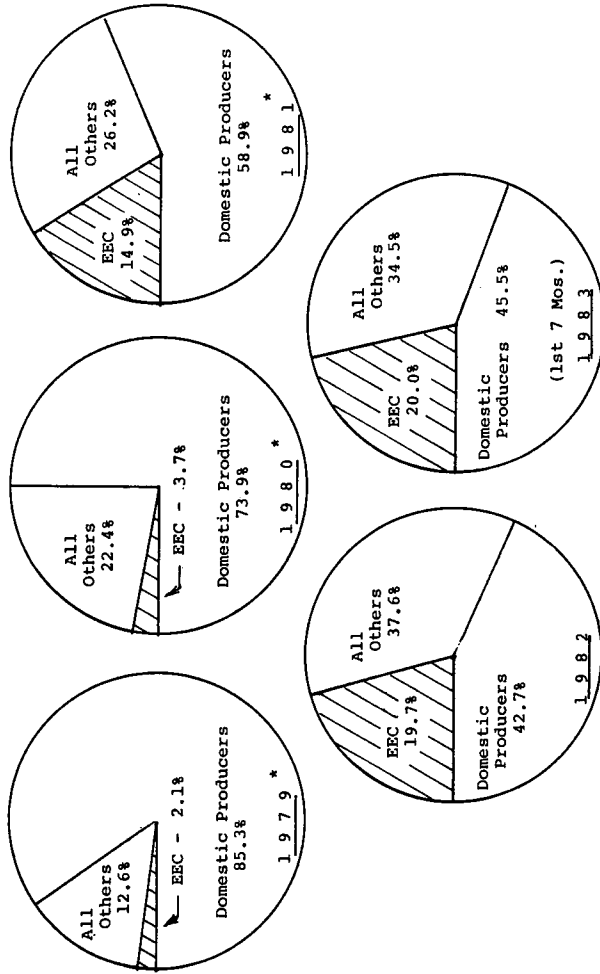
The United States consumes more than two-thirds of the free world's usage of OCTG. Nevertheless, foreign mills continue to grab an increasing share of this market. From 1979-1981, imports, and in particular imports from the EC, rose at an alarming rate. The EC's share of the U.S. market went from 2.1% in 1979 to 14.9% in 1981. Total imports of OCTG rose from 14.7% to 41.1%. (See Chart I)

The rig count, which is a leading indicator of OCTG consumption, reached 4,500 rigs in December 1981. At that point a steep decline began. Because of this drastic drop in drilling activity in 1982 which continued into 1983, domestic mills substantially reduced their production, but the foreign



Chart I

OIL COUNTRY TUBULAR GOODS  
Participation in U.S.A. Apparent Consumption



\* 1979, 1980, 1981 - Average EEC/Import Penetration - 8.76%

mills continued to ship OCTG to the United States at about the same level as the previous year. Consequently, importers greatly increased their share of the U.S. market. The EC increased its share in 1982 to 19.7%, and all imports rose to 57.3% of the market. (See Chart I) To put this in perspective, you should be aware that steel imports other than pipe and tube captured only about 18% of the U.S. market in 1982.

These actions by importers contributed heavily to a huge inventory overhang of OCTG in the U.S. market. At the end of 1982, there were approximately five million tons in inventory. Current drilling consumes only about a quarter million tons a month. Most of that amount is coming from inventory, with the balance coming from domestic shipments and imports.

Since Lone Star Steel began production of OCTG in 1953, it has managed to weather the numerous boom-bust cycles of the oil and gas industry without shutting down its plant. In fact, past periods of lower rig activity than exist today were handled by the company without shutting down. As a result, however, of the massive amount of foreign-produced OCTG overhanging the U.S. market last year, we were forced in August 1982 to shut down for the first time, causing the layoff of over 4,000 employees. Because of the huge inventory build-up, most of these employees still have not been able to return to their jobs. The day we can return to work is being unfairly postponed by every ton of imported OCTG which is unloaded on our docks. Other U.S. producers of OCTG are in the same position or worse.

In light of these circumstances, I am sure you can understand our concern with imports. We are not here today to ask for quotas or changes in our trade laws. Our request is simply that this Congress remedy the unfair and damaging dilemma in which we have been placed by the recent steel arrangements between the EC and our government.

Two agreements or arrangements were negotiated with the EC in October 1982: a general or carbon steel arrangement and a pipe and tube arrangement. The general steel arrangement limits the EC to its 1979-81 market share for a number of basic product categories. This arrangement has a detailed enforcement procedure based on a law specifically passed for this purpose. The arrangement extends through 1985.

The pipe and tube arrangement was intended to address the potential for diversion of EC steel production from items covered under the general steel arrangement to pipes and tubes. It takes the same basic approach as the general steel arrangement. For instance, it targets exports from the EC through 1985 at the average level which existed in the 1979-81 base period. Unfortunately this arrangement does not set forth the same specific enforcement procedure. It simply states:

"If estimates based on the above information and projections of U.S. apparent consumption of pipes and tubes show that the 1979-1981 average . . . might be exceeded or that a distortion of the pattern of U.S.-EC trade is occurring within the pipe and tube sector, consultations between the EC and the U.S. will take place in order to find an appropriate solution. If after 60 days no solution has been found each party will take, within its legislative and

regulatory framework, measures which it considers necessary. In doing so both parties will act in a complementary fashion in order to prevent diversion."

The Department of Commerce seems to believe that the pipe and tube arrangement is enforceable on an overall basis, but not enforceable by product categories of pipe and tube such as OCTG. The Europeans deny it is enforceable even to this extent. Viscount Etienne Davignon, who signed the arrangement for the EC, was quoted the following day in the American Metal Market publication of October 22: "There is no control of pipe and tube exports to the United States."

The principal underpinning of Commerce's position is the Heinz amendment which was specifically enacted in 1982 to make the steel arrangements enforceable. The overall pipe and tube historical market share of 5.9% is enforceable according to Commerce because this specific limit was included in the official requests for enforcement which were filed by the EC and the President prior to the end of 1982 as required by the Heinz amendment. (See attachment) The Heinz amendment does not apply to categories of pipe and tube because sufficient historical information about such product categories could not be developed in time to be included in the 1982 requests under the Heinz amendment. The coverage of product categories fell through a technical crack.

Without product categories the pipe and tube arrangement is meaningless. Pipe and tube is not a market. It is a compilation of separate and distinct markets. Reduction in overall pipe and tube penetration is not relevant if the EC is increasing its share of your product category as is happening to us.

This was well understood at the time the arrangement was executed. At the time, the Secretary of Commerce wrote the CEO's of several leading U.S. steel companies that the only reason these product categories were not put in the arrangement was "[t]he historical data on pipe and tube and the 1982 changes in the U.S. tariff schedule preclude precise identification of product categories at this time." The Secretary further assured the CEO's that "[w]e will consult with the EC upon entry into force of the Arrangements to identify relevant product categories for the purposes of the pipe and tube Arrangement."

The Commerce Department did in fact subsequently develop historical market shares for seven pipe and tube product categories. The EC has not limited and does not intend to limit its exports to these historical market shares. And the Commerce Department has now told us it has no authority to require observance of these product categories.

For the first nine months under the arrangement, the EC has taken over 20% of the U.S. market for OCTG. This is nearly 2-1/2 times its 1979-81 historical share of 8.76%. (See Chart II) If the market for OCTG continues at its present level, the EC has already exceeded its allowable tonnage for the year. Even if Data Resources, Inc. (DRI), which is the official forecaster under the arrangements, is correct that the market will increase, the EC will have to reduce substantially its exports for the remainder of the year to comply with the arrangement. (See Chart III) One need not speculate on the likelihood of the EC cutting its exports for the last five months of this year to 1/4 the

CHART II

E.E.C. IMPORTS OF OCTG AS A PERCENTAGE  
OF APPARENT CONSUMPTION

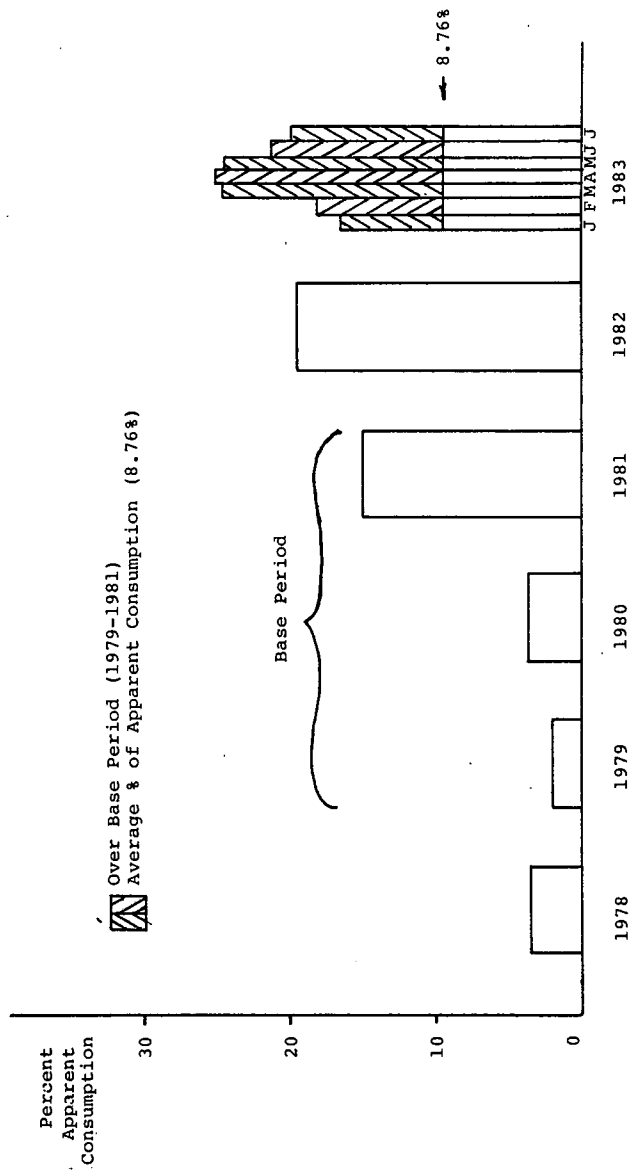
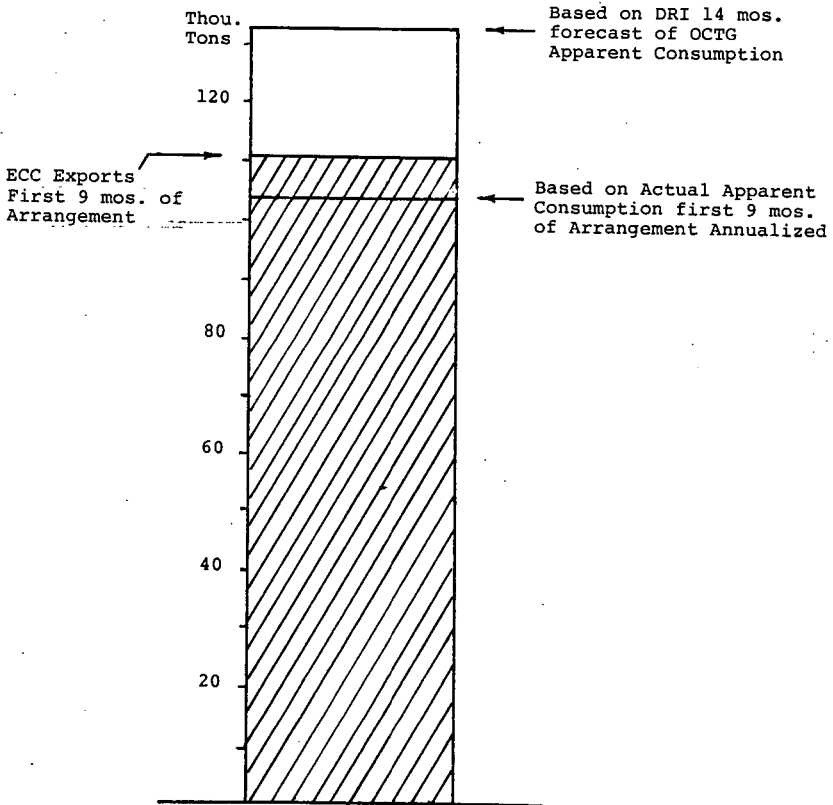


CHART III

EEC SHIPMENTS OF OCTG TO U.S.A. AFTER OCT. 1982



level of its exports for the first nine months of the arrangement. The EC mills have told the marketplace that they have no intention of doing so. Indeed, they are increasing their advertising, opening new sales offices, and telling potential customers they are going to increase their exports to the U.S. in 1983. For example, a letter widely distributed in the marketplace by a representative of one of the smaller EC mills boldly states that it has "agreed to sell 7,000 tons of new production per month beginning with October production." This 21,000 tons is by itself almost all the tonnage remaining to the EC under the optimistic projection of DRI. And I emphasize this is only one example of the offers being made in the marketplace. It does appear that the pipe and tube arrangement without enforceable product categories is indeed a joke, as one EC mill is reported to have told the our customers.

The reason for the pipe and tube arrangement was the subsidization of EC steel production found by the government in unfair trade cases filed by U.S. steel mills. While the cases dealt directly with production other than pipe and tube, the U.S. steel mills insisted, and the government and the EC agreed, that pipe and tube be covered by the settlement because of the high potential for diversion of production to these higher value markets from other basic steel products. An agreement which is not enforceable by product categories is a leaky boat against the diversion of steel production dammed up by the general steel arrangement.

Not only are the same types of subsidies continuing for pipe and tube production, but the EC is now selling OCTG



50% below our prices which had already been reduced 20% at the beginning of the year. However, if we elect to pursue dumping or subsidy cases under existing trade laws, we will give the EC the right to terminate the pipe and tube arrangement according to the terms of that arrangement. Here is a "catch 22" if there ever was one. If we attempt to protect ourselves now, we could destroy an arrangement which our government and others in the industry worked hard to develop. What kind of reception can we expect from the government, which must interpret and apply our trade laws, if we upset what it has worked so hard to put in place.

While our action is pending, our market would be open to unfair imports diverted by the EC from other steel production because of the general steel arrangement which is enforceable and would continue in effect. Our choice is to go against an agreement made by the U.S. Government or live with a deal that cannot work. The longer this situation continues, the greater the risk that Lone Star Steel and other U.S. pipe and tube producers will be permanently damaged, and our national interest endangered.

Whatever your position on import restrictions or the EC arrangements, you cannot leave us in this dilemma. Damned if we act; damned if we do not. We believe S. 1035 is the more responsible approach.

The bill is designed to do no more than make the pipe and tube arrangement enforceable. The seven product categories and historical market shares which are incorporated in the

bill, were developed by the Commerce Department under the pipe and tube arrangement.<sup>\*/</sup> The quarterly adjustment in forecasts called for in the bill is identical to the monitoring and forecasting procedures the Commerce Department and the EC have established under the arrangements. These forecasts are to be made by DRI, which was selected by the EC and the Commerce Department. S. 1035 merely outlines this procedure precisely. It does not establish quarterly compliance requirements. Monitoring is a continuous requirement and consultations can be sought at any point at which it appears imports might exceed the arrangement ceilings or if distortion is occurring within the pipe and tube sector.

In summary, S. 1035 does not change U.S. trade law or the pipe and tube arrangement. It simply ensures that a major trade agreement negotiated between the United States and the EC will be enforceable and that the tens of thousands of employees in this country engaged in making OCTG and other steel pipe and tubes will not be the losers in the bargain.

What is at stake here is not just the American OCTG industry, not just the American pipe and tube industry, but the entire American steel industry. The industry must continue to modernize if it is to compete with subsidized industries in other countries. Modernization requires profits. OCTG, because it is a high value steel product, is one of the principal sources of profits to America's steel mills.

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<sup>\*/</sup> Recent additional review of import statistics has indicated some changes in these percentages which may necessitate a technical change in the legislation.

The inability to enforce the product categories of the pipe and tube arrangement puts the American OCTG industry in an impossible situation. It has been effectively deprived of the protection of our existing trade laws and left subject to diversion from other EC steel production without an effective substitute. Only the Congress can solve this dilemma.

We do not believe that anyone in our industry, from the large steel mills to the small finishers, disagrees with the need for the enforceability of the pipe and tube arrangement. Finishers in particular would be benefitted by the enactment of S. 1035 because they would not only be protected like the U.S. mills from unfair imports, but be assured by the anti-distortion provisions of an enforceable arrangement that the EC would not distort the market for unfinished tubes by switching shipments to finished tubes.

Thank you for your consideration. I would be pleased to answer any questions which the members of the Committee might have at this time.

## ATTACHMENT

Enacted as Section 153 of P. L. 97-276, October 2, 1982

Sec. 153. Title IV of the Tariff Act of 1930 (19 U.S.C. 1401 et seq.) is amended by adding after section 625 the following new section:

"Sec. 626. (a) In order to monitor and enforce export measures required by a foreign government or customs union, pursuant to an international arrangement with the United States, the Secretary of the Treasury may, upon receipt of a request by the President of the United States and by a foreign government or customs union, require the presentation of a valid export license or other documents issued by such foreign government or customs union as a condition for entry into the United States of steel mill products specified in the request. The Secretary may provide by regulation for the terms and conditions under which such merchandise attempted to be entered without an accompanying valid export license or other documents may be denied entry into the United States.

"(b) This section applies only to requests received by the Secretary of the Treasury prior to January 1, 1983, and for the duration of the arrangements."



THE SECRETARY OF COMMERCE  
Washington, D.C. 20230

21 OCT 1982

Vicomte Etienne Davignon  
Vice-President of the European Communities  
Rue de la Loi 200  
1049 Brussels  
Belgium

Dear Mr. Vice-President:

I am writing you this letter to record the agreement of the U.S. government to your letter of October 21, 1982, which reads as follows:

"The Honorable Malcolm Baldrige  
Secretary of Commerce  
Washington, D.C. 20230 USA

Dear Mr. Secretary:

I am writing you this letter to record the results of our discussions on pipes and tubes:

Arrangement on EC Export of Pipes and Tubes  
to the United States of America

- A. It has been agreed during negotiations on trade in steel mill products between the European Communities (EC) and the United States (U.S.) that for the duration of the Arrangement negotiated for those products diversions of trade from steel products described in Appendix B of the steel Arrangement towards pipes and tubes should be avoided. The U.S. Government wishes trade in the tube sector to be examined at this stage. The Communities are of the opinion that such a diversion will not take place in so far as annual exports of pipes and tubes to the U.S. do not exceed the 1979-81 average share of annual U.S. apparent consumption. In the light of its market forecasts, the European Economic Community believes that exports of pipes and tubes to the U.S. will not exceed this average. The EC expects that, in these circumstances, U.S. steel producers will withdraw all pending countervailing duty petitions involving EC

exports of pipes and tubes to the U.S., and will undertake not to file any petitions seeking import relief under U.S. law, including countervailing duty, antidumping duty, Section 301 of the Trade Act of 1974 (other than Section 301 petitions relating to third country sales by U.S. exporters) or Section 337 of the Tariff Act of 1930, on these products.

- B. The Community will establish measures with respect to exports of pipes and tubes from the Community to the U.S.

Such measures will include communication to the U.S. Department of Commerce of orders for exports to the U.S. as shown in the order books of the European industry as of 1 October 1982. The measures will also provide for the Community to communicate to the Department of Commerce each month through 1985 the ex-mill shipments destined for export to the U.S.

- C. Consultations may be requested at any time by the EC or U.S. in the light of the market developments or in the event of any particular problem in trade between the EC and the U.S. in pipes and tubes. In the context of consultations, all statistical evidence that is available will be presented.
- D. If estimates based on the above information and projections of U.S. apparent consumption of pipes and tubes show that the 1979-1981 average described in paragraph A might be exceeded or that a distortion of the pattern of U.S.-EC trade is occurring within the pipe and tube sector, consultations between the EC and the U.S. will take place in order to find an appropriate solution. If after 60 days no solution has been found each party will take, within its legislative and regulatory framework, measures which it considers necessary. In doing so both parties will act in a complementary fashion in order to prevent diversion.
- E. If in any consultations held pursuant to paragraph D above it appears (based on substantial objective evidence such as allocation, extended delivery periods or other relevant factors) that the exceeding of the average described in paragraph A is due to supply or demand factors and that the U.S. steel industry will be unable to meet demand in the U.S. for a particular product then diversion shall not be considered to exist.

F. If during the period in which this Arrangement is in effect, any petitions seeking import relief under U.S. law, including countervailing duty, antidumping duty, Section 337 of the Tariff Act of 1930, Section 201 of the Trade Act of 1974, Section 301 of the Trade Act of 1974, or Section 232 of the Trade Expansion Act of 1962, are filed or investigations initiated or litigation (including antitrust litigation) instituted with respect to pipe and tube products, and the petitioner or litigant is one of those referred to in paragraph A above or in Article 2a) of the Arrangement concerning certain steel products, the ECSC shall be entitled to terminate this Arrangement after consultation with the U.S., at the earliest 15 days after such consultations.

If such petitions are filed or litigation commenced by petitioners or litigants other than those referred to in the previous paragraph, or investigations initiated, on pipe and tube products, the ECSC will be entitled to terminate this Arrangement if during consultations with the U.S. it is determined that the petition, litigation or investigation threatens to impair the attainment of the objectives of this Arrangement. These consultations will take into account the nature of the petitions or litigation, the identity of the petitioner or litigant, the amount of trade involved, the scope of the relief sought, and other relevant factors.

I confirm the agreement of the EC to the contents of this letter. I would be grateful if you would confirm the agreement of the U.S. government with the contents of this letter.

Yours Faithfully,

Vicomte Etienne Davignon"

Sincerely,



Secretary of Commerce

Senator DANFORTH. Mr. Head.

**STATEMENT OF RICHARD L. HEAD, PRESIDENT, ARMCO  
TUBULAR DIVISION, ARMCO INC., HOUSTON, TEX.**

Mr. HEAD. Thank you, Mr. Chairman.

Members of the committee, I am Richard Head from Houston, Tex., president of Armco Tubular Division of Armco. Thank you for allowing me to speak in support of S. 1035.

As a domestic producer of OCTG, we are vitally interested in the passage of this bill. The future of our division and our nearly 2,000 employees, 1,800 of whom have spent most of 1983 on layoff, may be directly and significantly affected by the outcome of this legislation. Specific enforcement of the arrangement between our Government and the European Community as it pertains to imports of oil country tubular goods is, in our view, necessary and critical. S. 1035 confirms this enforcement.

Armco is a fully integrated steel pipe manufacturer with a single plant in Ambridge, Pa., a town of about 10,000 people situated northwest of Pittsburgh. The steel that we use to make this pipe comes from our Armco plant at Ashland, Ky. Our tubular headquarters is located in Houston.

The tubular plant at Ambridge has been operating continuously since 1913. While Ambridge has experienced numerous short closings through the years due to gas restrictions and strikes, never in the history of this plant has there been a shutdown to compare with the one that began really in June of last year. Since that time, approximately 90 percent of our employees have been laid off, and the plant has run a total of 7 weeks in 1983. At Ashland, the producer of the basic steel for Ambridge, unemployment has averaged 35 percent. A large part of their unemployment is the result of the reduction of our steel purchases, and, altogether, 1,600 Armco employees are out of work today as the result of virtually no orders for seamless tubulars.

During the 1980-81 period there was a sizeable buildup of inventory when buyers thought they wouldn't be able to get enough pipe for expanding drilling programs. But when the steep dropoff in rig count occurred, demand slowed to a crawl, and an estimated 5 million tons or a 1 to 2 years supply of oil country tubular goods were on the ground at the end of last year. Imports didn't account for all of that inventory, but they played the largest role.

When drilling activity stopped or dropped dramatically, oil companies practically stopped buying new pipe and started working off their inventories. Domestic pipe mills were forced to curtail their production. While the level of imports also fell off, the market share of imported pipe increased substantially. And speaking of OCTG and repeating those numbers, in 1979 the EC share stood at 2.1 percent; by 1982 that had grown to almost 20 percent; and our figures indicate that so far in 1983, at least through June, it's up to 21.5 percent, so it has not fallen off. And herein lies our major concern with uncontrolled imports and unenforceable import arrangements.

With a combination of the depression in the pipe business and the general economic downturn, Armco tubular was forced to put



on hold a planned \$770 million state-of-the-art expansion program in Pennsylvania, Kentucky, Mississippi, and Texas.

We believe the U.S.-EC arrangement to be fair. Our interest is with the enforcement. If it is not enforced, the arrangement is hollow and no one benefits. While our Government claims the pipe and tube arrangement is just as enforceable as the general steel arrangement, there exists a definite "apples and oranges" situation. While the general steel agreement has an enforcement procedure based on a law passed for that purpose, the pipe and tube arrangement has none. We feel strongly that a similar law is needed for this latter arrangement, and S. 1035 fills that void.

It is difficult for us to understand an objection to this argument. Yet, as the arrangement now stands, any enforcement is questionable. At the same time, if violations occur on the part of the EC, the domestic pipe industry is restrained from recourse under existing trade laws. Something must be done to relieve this situation.

In summary, this bill does one thing and one thing only: It guarantees that the pipe and tube arrangement between the United States and the EC will be enforced, and nothing could be more fair for us.

Thank you.

Senator DANFORTH. Thank you, Mr. Head.

[Mr. Richard Head's prepared statement follows:]

## PREPARED STATEMENT OF RICHARD HEAD

Mr. Chairman and Members of the Committee:

I am Richard Head from Houston, Texas, President of Armco Tubular, a division of Armco Inc.

Thank you for allowing me to speak in support of S. 1035, the "Fair Trade in Steel Pipe and Tube Products Act of 1983". As a domestic producer of oil country tubular goods, we are vitally interested in the passage of this bill. The future of our division and of our nearly 2,000 employees -- 1,800 of whom have spent most of 1983 on layoff -- will be directly and significantly affected by the outcome of this legislation. Specific enforcement of the arrangement between our government and the European Community (EC) as it pertains to imports of oil country tubular goods is, in our view, necessary and critical. S. 1035 confirms this enforcement.

I hope I am not repeating what you have already heard from the representatives of Lone Star Steel and others. But Armco is in total agreement with their position. Since that position has been presented to you clearly and accurately, there is no need to tread on already-covered ground.

Perhaps my few minutes can be spent better by outlining our situation at Armco and the severe problems that unrestricted and subsidized imports have brought to our business. That business is the production and sale of casing, tubing and drill pipe for use in oil and gas wells.

Armco is a fully integrated steel pipe manufacturer with a single plant in Ambridge, Pennsylvania -- a town of about 10,000 people, situated 20 miles northwest of Pittsburgh. The steel that we use to make this pipe comes from an Armco plant at Ashland, Kentucky. Our headquarters, administrative and marketing groups are located in Houston, Texas.

This tubular plant at Ambridge has been operating continuously since 1913. While Ambridge has experienced numerous short closings through the years due to gas restrictions and strikes, never in the history of this plant has there been a shutdown to compare with the one that began in June of last year. Since that time, approximately 90% of our employees have been laid off and the plant has run a total of 7 weeks in 1983. At Ashland, producer of the basic steel for Ambridge, unemployment has averaged 35% in 1983. Altogether 1,600 Armco employees are out of work today as a result of virtually no orders for seamless tubulars.

What caused this curtailment? During the 1980-81 period, there was a sizeable buildup of inventory when buyers thought they wouldn't be able to get enough pipe for expanding drilling programs. But when the steep drop-off in rig count occurred, demand slowed to a crawl and an estimated five million tons or 1-2 years supply of oil country tubular goods were on the ground at the end of 1982. Imports didn't account for all of this inventory, but they played the largest role.

When drilling activity dropped dramatically, oil companies practically stopped buying new pipe and started working off inventories. Domestic pipe mills were forced to curtail their production. While the level of imports also fell off, the market share of imported pipe increased substantially. Some numbers you heard earlier bear repeating: In 1979, total imports of OCTG stood at 24.6% of the U. S. market and EC's share stood at 2.1%. By 1982, EC's share had increased to 19.7% and total imports had leaped up to 61.1% of the market! In 1983 at the end of June, EC's share was 21.5% and total imports were still 55.3%.

Herein lies our major concern with uncontrolled imports and unenforceable import arrangements. During this same period of time, Armco Tubular's market share dropped from 7.1% to 2.6% of apparent domestic supply. And this from a mill that historically has ranked among the top three in domestic producer's quality.

With a combination of the depression in the pipe business and the general economic downturn, Armco Tubular was forced to put on hold a planned \$670 million state-of-the-art expansion program in Pennsylvania, Kentucky, Mississippi and Texas.

Like Lone Star and others, we believe the U. S.-EC arrangement to be fair. It was decided upon after long and exhaustive negotiations and agreed-to unequivocally by both sides.

Our interest is with enforcement. If it is not enforced, the arrangement is hollow and no one benefits. While our government

claims the pipe and tube arrangement is just as enforceable as the general steel arrangement, there exists a definite "apples and oranges" situation. While the general steel agreement has an enforcement procedure based on a law passed for that purpose, the pipe and tube arrangement has none. We feel strongly that a similar law is needed for this latter arrangement. S. 1035 will fill that void.

It is difficult for us to understand an objection to this argument. Yet as the arrangement now stands, enforcement is questionable. At the same time, if violations occur on the part of the EC, the domestic pipe industry is restrained from recourse under existing trade laws. Something must be done to relieve this situation. Again, we believe S. 1035 is a proper solution.

In summary, this bill does one thing and one thing only: It guarantees that the pipe and tube arrangement between the U. S. and the EC will be enforced. Nothing could be more fair. On behalf of the American OCTG industry, I ask for your help.

Thank you.

Senator DANFORTH. Mr. Renner.

**STATEMENT OF S. EDWARD RENNER, VICE PRESIDENT FOR STRATEGIC PLANNING, JONES & LAUGHLIN STEEL CORP.**

Mr. RENNER. Thank you, Mr. Chairman.

My name is Ed Renner. I am vice president of strategic planning for Jones & Laughlin Steel Corp. As you know, our written statement has been submitted for the record, and I'm hopeful that you and/or your associates will be able to take the time to read it in its entirety.

Perhaps for the purpose of this hearing it would be best for me to summarize the statement, highlight our concerns, and answer questions.

We are here in support of S. 1035 because we believe the need for assured enforcement of the U.S.-EC pipe and tube arrangement is paramount to avoid permanent damage to the United States pipe and tube producers, which number, among others, my company, J&L Steel.

When the industry agreed to withdraw our antidumping and countervailing duty petitions against members of the EC last October, we hoped that we could look forward to 5.87 percent EC penetration of total pipe and tube apparent consumption; further, that there would be no distortion to the U.S.-EC trade pattern of 1979 through 1981. My definition of distortion in the context of the pipe and tube arrangement is a swing toward higher value added and more profitable product lines. Certainly no intelligent person, company, or country is interested in the production of less profitable items, given a choice. And you may be assured that our foreign competition is intelligent.

Where are we today? As a result of the reporting time lag I can't tell you where we stand on September 19, but the following reflects the latest numbers available to us:

The United States and its domestic producers have met their obligations, to the best of my knowledge. For the first 6 months of 1983, EC total pipe and tube imports amounted to 7.94 percent of apparent consumption compared to the agreed-upon 5.87 percent.

During the same first 6 months of 1983, EC imports of oil country tubular goods, which is a subcategory of total pipes and tubes, amounted to 21.5 percent of apparent consumption as compared to 8.76 percent in the 1979 to 1981 period. This is an increase of 245 percent. Potential distortion is obvious.

While we believe that the intent of the language of the arrangement requires EC compliance by year's end even if not during the period, we doubt that the EC can comply by year's end with respect to oil country tubular goods. Our projection of 1983 oil country tubular goods demand for 1983, upon which our operating plans are based, is 1 million tons, compared to the official consultant's 1.33 million tons.

If our projection is correct, the EC exhausted their oil country tubular goods entitlement in mid-July.

To accentuate our concerns, the Commerce Department has advised the industry that any excess shipments in a subcategory for 1 year will not result in a reduction in the permissible level of im-

ports the following year, unless agreed to by the EC. This is inequitable and might be considered analogous to a criminal law which would preclude a judge sentencing a person to jail without the guilty person's consent.

We think the facts just related to you substantiate our belief that automatic enforcement of the arrangement in accordance with its own procedures is necessary. As we sit here today, some 11 months after we withdrew our petitions, and 7 months after the Commerce Department began negotiations with the EC, there is not even an agreement as to what constitutes subcategories of pipes and tubes.

Thank you for your consideration, and we will be happy to answer your questions.

Senator DANFORTH. Thank you, gentlemen.

[Mr. S. Edward Renner's prepared statement follows:]

## PREPARED TESTIMONY OF S. EDWARD RENNER

Mr. Chairman and Committee Members:

I am Ed Renner, Vice President-Strategic Planning for Jones & Laughlin Steel Corporation. I appreciate the opportunity to speak to the Committee on a matter of extreme concern to J&L.

J&L is a major producer of pipe and tubular products for the domestic marketplace. We produce seamless standard and line pipe, casing, tubing, drill pipe and coupling stock at our seamless operations in Aliquippa, Pennsylvania; Youngstown, Ohio; and East Chicago, Indiana. Our welded tube product lines, which are produced at our Aliquippa, Pennsylvania Works, include continuous-weld standard and line pipe, tubing, hollow rounds, coupling stock and round structural pipe. Electric weld products include standard and line pipe, casing, piling pipe and round structural pipe. Semifinished steel for these operations is produced at our Pittsburgh and Aliquippa, Pennsylvania and Cleveland, Ohio steelmaking operations. We offer a broad product line of tubular products in competition with other domestic and foreign producers. Our marketing efforts emphasize the sale of Oil Country Tubular Goods (OCTG) as over two-thirds of the world-wide market for these products is found in this country.



J&L is a fully integrated producer. In addition to Tubular Products, we make a variety of rolled steel products including hot and cold rolled sheet and strip, hot rolled and cold finished bars, tin plate, galvanized and specialty steels (stainless). But tubular products are extremely important to us, for example, tubular goods provided about 34 percent of our sales revenue in 1981 - our most recent profitable year.

Our commitment to the tubular goods marketplace is illustrated by the recent investment of 60 million dollars in a world-class seamless pipe mill at Youngstown, Ohio which came on stream July 1 of this year. This new mill involves state-of-the-art technology enabling us to provide world-class quality to our customers.

In addition to the physical aspects of the new mill, new ideas of "working together" are being implemented. Team manning, which involves turning over the responsibility for operation and maintenance of the mill to teams of salaried and hourly workers, is in place and has been enthusiastically endorsed by the steelworkers union. Also, a new Integrated Quality Control System (IQCS), a thoroughly systematic program of quality assurance utilizing modern techniques of statistical analysis and process control is being implemented to insure world-class quality. J&L is able to meet any fair competition in the world. However, the opportunities to market the

products of the new mill are presently almost non-existent. We estimate that seamless imports during the first six months of 1983 captured 74.9 percent of the seamless oil country apparent consumption. Needless to say, we are concerned, especially when reported foreign sales transactions occur at about half of our listed book price.

At present, our seamless units are operating sporadically at about 4% of capacity and our electric weld and continuous weld facilities are operating at 21% and 35% of capacity respectively. We are projecting similar levels for the tubular business for the remainder of 1983. At present, about 3200 of our salaried and hourly employees directly involved in seamless production are laid off. Employees of our steel producing and semi-finishing facilities (including maintenance and support personnel) have also been affected. At present, approximately 55% of our employees at Aliquippa, Pittsburgh and Youngstown are on layoff status, largely due to a lack of tubular business.

I doubt that it is necessary to recite the well-publicized history of industry petitions to the Department of Commerce and the International Trade Commission in 1982 which culminated in the October 21, 1982 Arrangements with the European Coal and Steel Community (EC). As you know, the Arrangements were conditioned upon withdrawal of the US producers' petitions, termination of the investigations concerning all outstanding countervailing duty and antidumping

duty petitions involving the EC, and agreement from the US petitioners that they would not file any petitions seeking import relief under US law for the period of the Arrangements (November 1, 1982 through December 31, 1985). The obligations of the US petitioners and the US Government have been and are being met to the best of my knowledge.

Let's look at the other side of the coin - the EC performance of its obligations under the arrangements. Since the bill under consideration and the purpose of this hearing focus on pipe and tubular goods, our comment on the Arrangement dealing with certain carbon and alloy products (other than pipes and tubes) shall be limited to the following. While the established export ceilings for numerous product categories have been exceeded on an import basis to date, it is uncertain if the EC will meet their restraint obligations under the Arrangement by the end of this year.

We have even greater concern with respect to the EC performance against the Pipe and Tube Arrangement, which also is conditioned upon withdrawal of countervailing duty and antidumping petitions, termination of federal investigations and forbearance of the filing of such petitions between now and the end of 1985. Again, our obligations have been and are being met to the best of my knowledge.

The Pipe and Tube Arrangement reflects the agreement between the US and the EC that diversions from other than pipe and tube categories, "towards pipe and tubes should be avoided" (emphasis added). The Arrangement also represents that, "the Communities are of the opinion that such a diversion will not take place in so far as annual exports of pipes and tubes to the US do not exceed the 1979-81 average share of annual US apparent consumption" (emphasis added). Further, the Arrangement indicates that if the 1979-81 average EC penetration of the total pipe and tube market (an agreed-to 5.87% of apparent consumption) might be exceeded or, "...that a distortion of the pattern of US-EC trade is occurring within the pipe and tube sector, consultations between the EC and the US will take place in order to find an appropriate solution...."

Distortion is not specifically defined in the Arrangement and such a definition is necessary if determination of distortion (within the context of the Arrangement) is to be possible. Therefore, Department of Commerce representatives have been attempting to negotiate specific pipe and tube sub-categories and related percentages of apparent consumption during the 1979-81 base period to facilitate distortion determination. The attempts began at the initial quarterly US-EC consultation last February. In spite of Commerce Department efforts, there are no agreed-to sub-categories and related percentages at present. Today, September 19, 1983, is approximately seven months after the topic was initially broached with the EC representatives and about 11 months after execution of the Arrangement.

The EC performance against the Arrangement's restraint obligation of 5.87% of apparent consumption of total pipe and tube leaves much to be desired at this point. AISI import figures for the first six months of this year indicate EC total Pipe and Tube imports amounted to 7.94% of apparent consumption.

Of great concern to us is the 21.50% of apparent consumption for the oil country tubular good category attributable to EC imports the first six months of this year. The 1979-81 average for EC oil country tubular goods was 8.76%. That indicates an increase of 245% for this year to date.

Assuming the official consultant's (Data Resources Inc.) estimate of 1,330,000 tons for the 1983 OCTG apparent supply is accurate, the EC will have to reduce their exports from an average of 15,800 tons per month (first seven months) to 4,700 tons per month for the months of August through December to meet their obligation for the first period of the Arrangement which ends December 31, 1983.

Our projection of OCTG demand for 1983, upon which our operating plans are based, suggests a more realistic OCTG apparent consumption figure of one million tons for the year. If our projection is accurate, the EC exhausted their OCTG "entitlement" under the Arrangement in mid-July.

I think you can understand why we are less than sanguine over the prospects for relief from the unfair trade practices that we hoped would result when we agreed to withdraw our countervailing duty and antidumping petitions against EC members last October.

Our most recent disappointment occurred but a few weeks ago as the Commerce Department responded to a question from industry representatives as to whether the Pipe and Tube Arrangement required that tonnage in excess of the EC's estimated 1979-81 average for an individual pipe and tube sub-category be deducted from the permissible level of imports in the following year. The response was that, "...carryover in a sub-category can be required but only by agreement of the US and the EC...." This means that blatantly excess EC imports in a sub-category, such as that which we are confident will be proven by year end with respect to OCTG, will not be penalized in the following period without agreement of the EC. This might be considered analagous to a criminal law which would preclude a judge sentencing a person to jail without that guilty person's consent.

For that matter, the only "remedy" available (in the context of the Arrangement) with respect to either EC shipments in excess of the agreed-to 5.87% penetration level for total pipe and tubes, or distortion of the pattern of US-EC trade

within the pipe and tube sector is "consultation between the US and EC to find an appropriate solution." Pragmatically, the Pipe and Tube Arrangement has been of questionable value to date and from our standpoint is unenforceable unilaterally.

We are here in support of S.1035 because we believe the need for assured enforcement of the Pipe and Tube Arrangement is paramount to avoid permanent damage to the US pipe and tube producers. S.1035 simply provides, in advance, the statutory authority to the Secretaries of Commerce and Treasury to enforce the Arrangement, should a 60-day consultation period, in the context of the Arrangement, prove fruitless insofar as resolution of a problem(s) is concerned.

In essence, S.1035 would provide for automatic enforcement of the Arrangement in accordance with its own procedures. A corollary benefit, especially to US representatives consulting with the EC, is that the EC representatives would know in advance what would happen if they exceeded their import limits and consultations failed. We feel that such knowledge might enhance possibilities of accommodations between the parties.

Thank you for your consideration. We would be pleased to respond to any questions that you may have.

Senator DANFORTH. The administration's position is that the agreement relating to pipe and tube is working very well, that the numbers are improving, and that the bill would be protectionist, would establish quotas, would violate GATT, and would lead to retaliation. Don't you think they made a pretty persuasive case?

Mr. KNOX. None of that is true, Mr. Chairman.

First, the figures to which the Department points are absolute tonnage figures, and absolute tonnage figures are not meaningful if your own domestic industry tonnage figures are falling even quicker.

The fact is that the EC has not only maintained the market share that it enjoyed in 1982, which was two and a half times higher than its historic market share, but it has slightly increased that market share even as we sit here today. It is still around 20 percent of the total OCTG market.

Second, pipe and tube is not a market. It does no good for an OCTG manufacturer such as Lone Star Steel to be told that pipe and tube imports are falling, if in fact the market penetration in your product category, OCTG, is rising or continuing at a high level, as is the case.

As far as the GATT arguments are concerned, the arrangements themselves contemplated that there would be product categories. And the only reason the product categories are not enforceable today is that they fell through a technical crack in the law that was specifically passed to facilitate the enforcement of the arrangements. That law contemplated that there be requests by the Governments involved prior to the end of 1982 for enforcement. Because the data was not available on OCTG, there could not be such a request. The Government attempted to finesse this issue by making an overall request relating to pipe and tube and told the industry it would fill in the details later. But now it tells us that those details—which are the life and death of the OCTG industry—are not enforceable.

Senator DANFORTH. Do you think that the administration has a law now which is not enforceable, or do you think that the administration has a law which is all right but that they are not doing a very good job of enforcing it?

Mr. KNOX. The end result to us, unfortunately, is the same when they take the position that the categories under the pipe and tube arrangement are not enforceable. Whether that is because they are misconstruing the law or whether in fact they do not have a law, the end result is the same. Our business is seriously injured.

Senator DANFORTH. Right. But as a remedy to the situation, it would be one thing if we had a law which was all right if the Commerce Department were on the ball. It would be a very different situation than the case where, no matter what they did, they had an unenforceable law.

Mr. KNOX. They take the position that the law, specifically the Heinz amendment, does not extend to the product categories, and that is a very hard position to refute.

Mr. HEAD. We want the same protection as your house on the block that didn't have it.

Senator DANFORTH. OK.

Senator Symms.



Senator SYMMS. Do either of you have any evidence—you may have said it in your testimony; I got here late—that this is being dumped, subsidized——

Mr. RENNER. I am not making that charge here today.

Mr. KNOX. Let me say we were deprived of the opportunity to get to the bottom of that question, because the arrangements came along and effectively precluded the filing of such cases.

One might reason that, in light of the findings of heavy subsidies in the case of the Italian steel mills, that those mills, which are making pipe and tube, are equally subsidized. But there never was a case involving OCTG filed in time for such a finding to be made.

I would also like to point out that the prices in the marketplace from these imports are approximately 50 percent below the prices at which we are trying to sell our product, which we have already reduced 20 percent. So there is strong evidence of dumping.

Senator SYMMS. Did you say the prices are 50 percent below——

Mr. KNOX. Our prices.

Senator SYMMS [continuing]. Your prices? Which you have reduced by 20 percent?

Mr. KNOX. That is correct, since the beginning of the year.

Senator SYMMS. And what do you attribute that largely to?

Mr. KNOX. Subsidies and decisions made by the foreign mills and their Governments that they would choose to continue to provide employment rather than let the free market system work its will.

Senator SYMMS. Thank you, Mr. Chairman.

Thank you, gentlemen, very much.

Senator DANFORTH. Gentlemen, thank you very much.

That completes the hearing.

[Whereupon, at 11:24 a.m., the hearing was concluded.]

[The following communications were submitted for the record.]

U.S. Council for an Open World Economy

INCORPORATED  
7216 Stafford Road, Alexandria, Virginia 22307  
~~702-200-2000~~  
~~(202) 850-2000~~  
(202) 785-3772

September 28, 1983

Mr. Roderick A. DeArment  
Chief Counsel  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

**Dear Sir:**

Enclosed herewith are six copies of a statement we have prepared for inclusion in the hearing of the Subcommittee on International Trade concerning S.1035, the Fair Trade in Steel Pipe and Tube Products Act of 1983.

It would be greatly appreciated if this statement is included in the printed record of that hearing.

Sincerely yours,

Sincerely yours,

David J. Steinberg  
President

**Encls**

## U.S. Council for an Open World Economy

INCORPORATED

7216 Stafford Road, Alexandria, Virginia 22307  
(202) 785-3772

Statement submitted by David J. Steinberg, President, U.S. Council for an Open World Economy, to the Subcommittee on International Trade of the U.S. Senate Committee on Finance in hearing on a bill to enforce a U.S.-EC agreement restricting U.S. imports of steel pipe-and-tube products. September 19, 1983

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any private interest.)

The proposed legislation -- S.1035, "Fair Trade in Steel Pipe and Tube Products Act of 1983" -- would establish a mechanism for enforcing export controls by the European Community concerning shipments to the United States of steel pipe-and-tube products covered by a U.S.-EC letter of agreement on this subject. The agreement is designed to discourage diversion to pipe-and-tube products from the basic carbon steel products covered by EC export controls negotiated by the U.S. and the Community. Advocates of the bill contend that EC export controls on shipments of basic carbon steel to the United States are enforceable via EC export licensing, whereas EC exports of pipe-and-tube steel are not so covered; consequently that the letter of agreement is not enforceable until such time as EC pipe-and-tube exports to the U.S. are found likely to exceed the accepted ceilings or "a distortion of the pattern of trade between the United States and the European Community is occurring with respect to articles in any category." At such time, the Secretary of Commerce must consult with the EC to correct such transgressions or, failing agreement on a solution, must take action aimed at bringing these U.S. imports within the permissible levels.

Of particular concern to advocates of this bill is the possibility of diversion, not only from basic carbon steel to steel pipe and tube, but from the lowest-value-added pipe and tube to the highest-value-added pipe and tube -- the "oil country tubular goods" (OCTG) used in high-specification functions in and near oilfields. The latter products are of special concern to steel pipe-and-tube producers in Texas (the prime movers behind this bill). The bill would establish a specific quota for imports of OCTG items per se, as well as quotas for six other pipe-and-tube categories.

Although concern over possible diversion within the frame-

work of export-control arrangements concerning basic carbon steel on the one hand and pipe-and-tube products (including OCTG per se) on the other is understandable, our Council objects to this entire structure of export-control arrangements, and to S.1035. Factors underlying this position include the following:

- (a) One of the findings underlying the bill is that pipe-and-tube imports have caused or threaten to cause serious injury to the domestic pipe-and-tube industry. No such finding has been made on a technical, professional basis in accordance with the standards and procedures established by trade-policy legislation.
- (b) The letter arrangement concerning pipe and tube was satisfactory to the U.S. pipe-and-tube industry, and there is no justification for establishing legislative quotas on the seven categories of these products merely to satisfy the Texas producers, who themselves have not proved serious injury in an appropriate proceeding, nor any significant distortion of import patterns that is likely to cause serious injury.
- (c) Although the two arrangements controlling EC steel exports to the U.S. may be a more stable alternative to the instability and uncertainty that would attend the anti-dumping and anti-subsidy proceedings which the U.S. steel industry would have instituted, these controls are not established as indispensable components of a coherent strategy addressing the real problems and needs of this industry. Consequently, the controls do not meet a basic standard which our Council believes should be met if import restrictions are to be established (if needed at all).

If the bill is to be passed, we see some merit in the proposal to exempt from the bill semi-finished pierced tubular shells (so-called "green tubes", which are the raw material for U.S. processing firms that are not part of integrated steel operations). There appears to be some doubt that these items, which are said to be unavailable from any domestic source other than the integrated steel companies, will be supplied in the required quantities by the European Community under the control agreement, inasmuch as the Community allegedly would be more interested in selling finished products with a higher value added in contrast to the low-value-added products required by independent U.S. processors making pipe and tube for the oil industry. Non-integrated, independent producers of pipe and tube should not be overly dependent for their basic material on integrated U.S. steel companies with whom they have to compete in the market for the end products involved.

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE  
ON S. 1035, 98TH CONGRESS, A BILL TO ENFORCE THE U.S.-E.C.  
AGREEMENT CONCERNING STEEL PIPE AND TUBE IMPORTS

Purpose of legislation

S. 1035, if enacted, would provide for the enforcement of a letter of agreement, signed by representatives of the United States and the Commission of the European Communities in October 1982, when the two sides agreed to an Arrangement Concerning Trade in Certain Steel Products (Arrangement).

The Arrangement came into effect October 21, 1982, when U.S. steel producers withdrew certain countervailing duty and antidumping petitions filed against EC steel producers, and undertook not to file petitions concerning these products during the period the Arrangement was in force. In return for these concessions, the Communities agreed to limit exports of specified steel products 1/ to a percentage of apparent U.S. consumption from November 1, 1982 to December 31, 1985. 2/ Pipes and tubes were not included in the restricted products, but were the subject of a separate "exchange of letters" calling for the avoidance of diversion of exports toward pipes and tubes, the monitoring of such exports, and consultations between the EC and the United States should such exports exceed the 1979-81 average share of annual apparent U.S. consumption (i.e., approximately 5.9 percent).

The purpose of bill S. 1035 is to enforce that letter of agreement by limiting imports of pipe and tube to specified shares of apparent U.S. consumption in 7 product categories. 3/

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1/ These products are: hot-rolled sheet and strip, cold-rolled sheet, plate, structural shapes, wire rod, hot-rolled bars, coated sheets, tin plate, rails, and sheet piling.

2/ The Federal Register notice which describes the terms of the Arrangement is enclosed.

3/ Whether such an enforcement mechanism is compatible with the original understanding involved in the Exchange of Letters is the subject of some debate.

### Description and uses

For the most part, the terms "pipes," "tubes," and "tubular products" can be used interchangeably. In some industry publications, however, a distinction is made between pipes and tubes. According to these publications, pipes are produced in large quantities to a few standard sizes, whereas tubes are made to customers' specifications for dimensions, finish, chemical composition, and mechanical properties. Pipes are normally used as a conduit for liquid or gases, whereas tubes are generally used for other purposes. There is apparently no clear line of demarcation in many cases between pipes and tubes.

Steel pipes and tubes can be divided into two general categories on the basis of method of manufacture--welded or seamless. Each category can be further subdivided by grade of steel: carbon, heat-resisting, stainless, or other alloy. This method of distinguishing among steel pipe and tube product lines is one of several such methods used by the industry. Pipes and tubes typically come in circular, square, or rectangular cross section. <sup>1/</sup>

The American Iron & Steel Institute (AISI) distinguishes among the various types of pipes and tubes as follows:

#### Standard pipes

Steel standard pipes are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. These steel pipes usually do not carry fluids at elevated temperatures and pressures and are not subject to the application of external heat.

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<sup>1/</sup> End use definitions are general industry definitions and are not precise. The end use definitions for certain pipes and tubes can be overlapping.

### Pressure tubes

Steel pressure tubes are used to convey fluids and gases at elevated temperatures or pressures, or both, and may be subjected to the application of heat. These tubes include air heater tubes, boiler tubes, heat-exchanger and condenser tubes, and superheater tubes.

### Mechanical tubes

Mechanical tubes are employed in a variety of mechanical applications including bicycle and motorcycle frames and parts, conveyor rolls and links, fishing rods, flagstuffs and masts, furniture tubes, gun barrels, handles, muffler tubes, posts and poles, and vacuum cleaner parts. The products in this category are frequently cold-drawn to improve the smoothness of the material.

### Structural pipes and tubes

Structural pipe and tubes are used for framing and support members for construction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and related industries.

### Oil country tubular goods

Oil country tubular goods are steel pipes and tubes used in the drilling of oil and gas wells and in conveying oil and gas to ground level.

Included here are oil well drill pipe, oil well casing, and oil well tubes. These pipes and tubes are frequently further processed by an upsetting operations in which the ends are flared. There is no known production of welded oil well drill pipe; oil well casing and tubing may be welded or seamless.

Line pipes

Line pipes are used for the transportation of gas, oil, or water, generally in pipeline or utility distribution systems.

Stainless steel pipes and tubes

Stainless steel pipes and tubes are used in applications requiring enhanced resistance to chemical, temperature, or corrosive wear. They are used extensively in the food, chemical, pollution control, and electric power industries.

The pipes and tubes in all seven categories can be of either welded or seamless construction and can be produced from various grades of steel. In addition, some may be suitable for multiple applications under certain circumstances. For example, round mechanical tubes which have been tested and warranted to withstand high pressures could be sold as pressure tubes, but the same tubes not passing such tests could not; line pipe might be substituted for oil country tubular goods in drilling shallow oil wells; and standard pipe may be used in structural applications. In certain applications, a tubular product can be either welded or seamless and meet required specifications. In selecting a tubular product, an end user frequently has the option of choosing between a longer lasting and more expensive high-alloy product and a shorter lived and less expensive low-alloy product. The end user's choice is likely to be determined by a combination of initial cost considerations and the ease with which a worn pipe or tube can be replaced.



Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM); the American Society of Mechanical Engineers; and the American Petroleum Institute (API). Comparable organizations in Japan, West Germany, the United Kingdom, the U.S.S.R., and other countries have also developed standard specifications for steel pipes and tubes.

#### Tariff treatment

Table 5 shows the current rate of duty applicable to the pipe and tube products which are the subject of S. 1035. Column 2 rates of duty apply to products of most Communist-dominated countries (except the People's Republic of China, Romania, and Yugoslavia). Column 1 duty rates apply to products of all other countries. "LDDC" rates of duty are preferential rates reflecting the full U.S.-MTN (Multilateral Trade Negotiations) concession rate for a particular item without staging of duty reductions and are applicable to products of the "Least developed developing countries" designated in general headnote 3(d) of the TSUSA. None of the TSUSA items listed are subject to the Generalized System of Preferences.

Listed separately (in Table 4) are the Pre-MTN col. 1 rate of duties on the products subject to S. 1035 and the staged reductions of such duties, as agreed to in the Tokyo Round of trade negotiations.

#### Structure of the domestic industry

Three types of firms produce steel pipe and tube in the United States: integrated steel producers, which maintain multi-plant facilities and typically produce most or all of the 7 pipe and tube product groups affected

by S. 1035; smaller, usually non-integrated producers, which concentrate on the production of one or two items within a limited market area; and specialty producers, which concentrate on the production of stainless and alloy tool steel products. It is a generally recognized trend that the market-oriented, smaller firms are making some inroads into the market share of integrated firms, due to such factors as lower labor costs and ability to respond quicker to their customers' needs. As the listing below indicates, the integrated producers tend to maintain facilities in the traditional "steel-belt" states such as Pennsylvania, Ohio, and Illinois; the market-oriented mills, many of which specialize in the manufacture of pipe and tube for the oil, gas, and related industries, are concentrated in Texas.

A fourth set of firms are the pipe and tube fabricators, which purchase pipe and tube blanks, and redraw, thread, upset, or otherwise further process the product to customer specifications.

Steel Pipe and Tube Products: Major U.S. producers, location of their establishments, and types of products produced 1/, 1982 and January-March 1983

Firms	Plant locations	Type of product(s)
Al Tech Specialty Steel Corp.-----	Dunkirk, N.Y.	Mech., SS
Allegheny Lundlum Steel Corp.-----	Wallingford, Conn.	SS
American Cast Iron Pipe Co., Steel Pipe Div.-----	Birmingham, Ala.	LP, Str.
Armco, Inc.-----	Ambridge, PA	Std., OCTG, LP, Mech.,
	Houston, TX	Pr., Str., SS
Babcock & Wilcox, Inc.-----	Beaver Falls, PA;	OCTG, Mech., Pr., SS
	Alliance, OH	
	Milwaukee, Wis.	
	Bryan, TX	

Firms	Plant locations	Type of product(s)
Bethlehem Steel Corp.-----	Sparrows Point, MD	Std., OCTG, LP, Str.
Carpenter Technology Corp.---	Union, N.J.	SS
Colt Industries, Trent Tube Division-----	E. Troy, WI	SS
Copperweld Corp.-----	Shelby, OH; Chicago, IL; Baltimore, MD	OCTG, Mech.
Cyclops Corp.-----	Sharon, PA; Minneapolis, MN; Houston, TX	Std., OCTG, LP, Mech., Pr., Str.
Jones & Laughlin Steel Corp.--	Aliquippa, PA; Campbell, OH; E. Chicago, Ind.	Std., OCTG, Mech., Str.
Kaiser Steel Corp.-----	Los Angeles, CA; Napa, CA	LP, Str.
Laclede Steel Co.-----	Alton, IL	Std., OCTG, LP, Str.
Lone Star Steel Corp.-----	Lone Star, TX	Std., OCTG, LP, Mech., Str.
National Steel Corp.-----	Liberty, TX;; Gerald, MO	OCTG, Mech., Str.
Newport Steel Corp.-----	Newport, KY	Std., OCTG, LP, Str.
Pacific Tube Co.-----	Los Angeles, CA	Mech., Pr., Str., SS
Phoenix Steel Corp.-----	Claymont, Del.; Phoenixville, PA	Std., OCTG, LP, Mech., Pr., Str.
Plymouth Tube Co.-----	Birmingham, AL; Horsham, PA	Mech., Pr., SS
Quanex Corp.-----	S. Lyon, MI; Rosenberg, TX; Houston, TX; Plainfield, N.J.	Std., OCTG, Mech., Str.
Republic Steel Corp.-----	Youngstown, OH; Chicago, IL; Elyria, OH; Ferndale, MI; Brooklyn, NY; Counce, TN	Std., OCTG, LP, Mech., Pr., Str., SS
Sharon Steel Corp.-----	Greenville, PA	SS
Sharon Tube Corp.-----	Sharon, PA	Std., Mech., Pr., Str.
Southwestern Pipe, Inc.-----	Houston, TX	Mech.
Teledyne Columbia-Summerill--	Carnegie, PA; Scottsdale, PA	Mech., Pr., SS
Timken Co.-----	Canton, OH; Gambrinus, OH	Mech., Pr., SS
United States Steel Corp.----	Baytown, TX; Provo, UT; Lorain, OH; Fairless Hills, PA; McKeesport, PA	Std., OCTG, LP, Mech., Pr., Str., SS
Van Huffer Tube Corp.-----	Oil City, PA; Warren, OH	OCTG, Mech., Pr., Str., SS

Firms	Plant locations	Type of product(s)
Wheatland Tube Co.-----	Wheatland, PA	Std., LP,
Wheeling-Pittsburgh Steel Co.-----	Benwood, W.VA; Monessen, PA	Std., OCTG, LP., Mech., Str.
Ft. Worth Pipe Co.-----	Fort Worth, TX	OCTG, LP

Abbreviations 1/: Std. = standard pipe; OCTG = oil country tubular goods; LP = line pipe; Mech. = mechanical tube; Str. = structural pipe and tube; SS = stainless steel pipe and tube; Pr. = pressure tubes.

#### Domestic shipments

Data on the quantity 1/ of U.S. producers' domestic shipments of the pipe and tube product groups affected by S. 1035 are given in Table 1 in the Appendix. A summary of shipments, as compiled by the American Iron and Steel Institute (AISI) is given below.

Domestic shipments of pipe and tube products, 1978-82, Jan.-June 1982, and Jan.-June 1983

	<u>Short Tons</u>
1978-----	8,398,656
1979-----	8,242,380
1980-----	9,096,557
1981-----	10,285,528
1982-----	5,026,140
Jan.-June:	
1982-----	3,606,920
1983-----	1,516,323

#### U.S. imports

Data on the quantity and value of U.S. imports of the pipe and tube products affected by S. 1035 are given in Tables 2a-2h in the Appendix. A summary of total imports and imports from the European Community as compiled by the U.S. International Trade Commission is given as follows.

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1/ AISI reports domestic shipments on a quantity basis only.

U.S. imports of pipe and tube products from the European Community, 1978-82, Jan.-June 1982, and Jan.-June 1983:

	<u>Quantity (1,000 tons)</u>		<u>Percent EC in total</u>
	<u>Total</u>	<u>EC</u>	
1978-----	3,040	426	14.0
1979-----	2,908	207	7.1
1980-----	3,771	308	8.2
1981-----	6,562	1,777	27.1
1982-----	5,244	1,419	27.1
Jan.-June:			
1982-----	3,555	1,088	30.6
1983-----	1,154	201	17.4

There are hundreds of firms which import pipe and tube products into the United States. In general, three types of concerns - independent trading companies, U.S. affiliates of foreign producers, and end users, import these products. Importers of the more standardized types and sizes of pipe and tube frequently act as distributors, warehousing and filling orders from inventory. Importers of the more specialized types and sizes generally submit bids for the sale of the product to contractors, and thus do not place orders with foreign producers until they have been awarded a particular bid.

#### U.S. exports

Data on the quantity of U.S. exports of the pipe and tube products affected by S. 1035 are given in Table 3 in the Appendix. A summary of U.S. exports, as compiled by the U.S. Dept. of Commerce, is given below.

U.S. exports of pipe and tube products, 1978-82, Jan.-June 1982, and Jan.-June 1983:

	<u>Quantity (short tons)</u>
1978-----	561,998
1979-----	728,415
1980-----	470,150
1981-----	472,436
1982-----	430,628
Jan.-June:	
1982-----	229,426
1983-----	118,896

Apparent U.S. consumption

Data on apparent U.S. consumption of all pipe and tube products, and of oil country tubular goods (OCTG) are given below, together with the share of such consumption held by the European Community (EC).

Apparent U.S. consumption of pipe and tube products, 1978-82, Jan.-June 1982, and Jan.-June 1983.

	<u>All products consumption (short tons)</u>	<u>EC import share (Percent)</u>	<u>OCTG consumption</u>	<u>EC import share (Percent)</u>
1978-----	10,882,607	3.9	3,428,224	4.2
1979-----	10,434,019	2.0	2,919,736	2.6
1980-----	12,403,002	2.5	5,018,849	4.2
1981-----	16,381,672	10.9	7,617,360	16.7
1982-----	9,845,465	14.4	4,286,588	20.0
Jan.-June:				
1982-----	6,936,351	15.7	3,397,159	20.6
1983-----	2,553,960	7.9	505,279	22.2

Oil well rig counts

Data on rig counts (the number of oil well rigs in operation) for the past 5 years is listed in the following tabulation.

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Jan.-June 1982</u>	<u>1983</u>
Number	2,255	2,176	2,910	3,970	3,105	3,660	2,108

Source: Hughes Tool Co. "Rig count" as reported by the Oil and Gas Journal

The consumption of oil country tubular goods is closely tied to the number of oil well rigs in operation. The number of such rigs in operation rose steadily from 1978 to 1981, when a peak was reached at 4,530 in the last week of 1981. Since then, the number of rigs began falling, bottomed out in October 1982 and rose through December 1982, before falling again through April 1983. Since that month, the number has risen unsteadily through August 1983. It is estimated by the Oil and Gas Journal that the rig count will rise to 2,207 units by the end of 1983.

Technical comments

As drafted, the bill could be difficult to implement since individual TSUSA items are allocated to more than one product category, thus double counting imports. A solution to this problem might be found by revising the current TSUSA language to provide for more definitive breakouts.

Alternatively, individual TSUSA items could be assigned to unique product categories.

The allocation of TSUSA items to multiple product categories also caused certain problems in preparing requested information on imports. The staff dealt with these problems by assigning TSUSA items to the respective individual product categories in which the largest share of imports fell. 1/ A listing of the 1983 TSUSA assignments used to compile the import tables in this report are as follows:

<u>Line Pipe</u>	<u>Oil Country Tubular Goods</u>	<u>Mechanical Tubing</u>
610.3208	610.3216	610.3221
610.3209	610.3219	610.3227
610.3211	610.3721	610.3728
610.3251	610.3722	610.3732
610.3711	610.3925	610.4500
610.3712	610.3935	610.4600
610.3713	610.4025	610.4948
610.3751	610.4035	610.5247
610.4931	610.4225	
610.4933	610.4235	
610.4936	610.4325	
610.5211	610.4335	
610.5214	610.4942	
610.5216	610.4944	
	610.4946	
	610.4960	
	610.4965	
	610.4970	
	610.5221	
	610.5222	
	610.5226	
	610.5241	
	610.5246	

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1/ Work in this area was based on analysis done by the U.S. Department of Commerce on pipe and tube import entry documents.

<u>Pressure Tubing</u>	<u>Stainless Pipe and Tubing</u>	<u>Standard Pipe</u>
610.3000	610.3701	610.3231
610.3100	610.3727	610.3232
610.3205	610.3731	610.3241
610.3500	610.3741	610.3244
610.3600	610.3742	610.3247
610.3704	610.5205	610.4951
610.4920	610.5229	610.4961
610.5206	610.5230	
610.5208	610.5231	
	610.5234	
	610.5236	

Structural and Other Pipe

610.3945  
610.3955  
610.4045  
610.4055  
610.4245  
610.4255  
610.4345  
610.4355  
610.4552  
610.4975

Consistent with the bill, the "structural and other pipe" category does not include hollow bars (TSUSA items 610.4800, 610.5130 and 610.5160) though they could be considered within the meaning of "other pipe."

Finally, the word TSUS in the bill should be modified to TSUSA since reference is made to the annotated items.



Table 1.--Pipe and tube products: U.S. producers' domestic shipments of pipe and tube products, by category, 1978-1982, Jan.-June 1982, and Jan.-June, 1983

Item	1978	1979	1980	1981	1982	January-June	
						1982	1983
Short tons							
Standard pipe-----	2,053,603	1,932,457	1,773,183	1,858,518	961,775	569,673	414,006
Structural pipe-----	422,725	540,984	569,440	597,701	301,049	172,080	108,239
Line pipe-----	1,571,091	1,568,573	1,792,498	2,087,511	1,093,372	798,606	312,240
Oil country tubular goods-----	2,646,938	2,457,634	3,611,651	4,241,107	1,759,351	1,484,886	246,647
Mechanical tube-----	1,479,951	1,506,810	1,159,404	1,347,820	762,256	495,755	361,984
Pressure tube-----	184,320	169,542	149,137	153,764	107,535	63,244	45,374
Stainless pipe and tube-----	40,028	46,380	41,244	39,107	40,802	22,676	27,833
Total-----	8,398,656	8,242,380	9,096,557	10,285,528	5,026,140	3,606,920	1,516,323
Source: American Iron and Steel Institute							

Source: American Iron and Steel Institute.

Table 2a.--Standard pipe: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June 1982 and Jan.-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1982 : 1983
Quantity						
Value						
EC countries:						
Belgium-Luxembourg-----	17,806	12,409	8,127	3,714	9,879	4,329 : 12,347
Denmark-----	0	0	0	0	263	0 : 263
France-----	2,950	73	59	11,262	12,507	10,597 : 3,260
Greece-----	10,289	9,175	9,952	2,910	0	0 : 0
Ireland-----	0	0	0	1/	0	0 : 0
Italy-----	58,396	27,326	12,802	72,794	28,068	26,725 : 4,486
Netherlands-----	909	2,260	1,348	14,249	17,009	5,668 : 7,996
United Kingdom-----	24,617	10,437	6,379	9,671	10,658	8,171 : 3,150
West Germany-----	20,430	6,052	28,367	81,867	57,820	53,647 : 3,537
Subtotal, EC-----	135,397	67,732	67,034	196,467	136,204	109,400 : 34,776
All other-----	1,146,239	1,103,695	1,279,284	1,488,985	820,575	969,079 : 474,679
Total, all sources-----	1,281,636	1,171,417	1,346,318	1,685,452	956,779	558,479 : 509,455
Value						
EC countries:						
Belgium-Luxembourg-----	5,359	4,922	3,761	1,871	5,997	4,123 : 3,720
Denmark-----	0	0	0	0	133	0 : 133
France-----	536	48	70	4,580	9,160	8,474 : 1,068
Greece-----	2,623	2,678	4,194	1,270	-	- : -
Ireland-----	-	-	-	-	-	- : -
Italy-----	18,992	11,107	5,534	37,600	16,833	15,898 : 1,240
Netherlands-----	387	1,148	700	8,059	10,187	3,526 : 3,164
United Kingdom-----	8,536	5,391	3,439	5,826	9,289	6,614 : 1,487
West Germany-----	9,777	3,300	17,132	62,066	41,858	37,758 : 3,132
Subtotal, EC-----	46,210	28,594	34,830	121,273	93,457	76,525 : 13,811
All other-----	382,086	439,088	544,396	736,579	394,848	238,219 : 161,899
Total, all sources-----	428,296	467,682	579,226	857,852	488,305	314,744 : 175,710

1/ Less than 0.5 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2b.--Structural and other pipe: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June 1982 and Jan.-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1983
Quantity						
EC countries:						
Belgium-Luxembourg	0	34	42	48	531	201
Denmark	27	21	20	20	3	3
France	72	158	8	614	325	263
Greece	0	0	0	0	0	0
Ireland	0	0	1/	0	0	0
Italy	16	21	52	5,481	9,793	6,163
Netherlands	301	625	626	752	45	24
United Kingdom	1,911	595	164	122	521	508
West Germany	1,163	1,342	3,303	6,434	4,869	3,302
Subtotal, EC	3,490	2,796	4,215	13,491	16,087	10,464
All other	289,035	345,332	322,067	229,170	214,433	121,562
Total, all sources	292,525	348,128	326,282	242,661	230,520	132,027
Value						
EC countries:						
Belgium-Luxembourg	-	18	33	23	277	99
Denmark	110	76	81	68	14	25
France	82	98	30	330	280	255
Greece	-	-	-	-	-	-
Ireland	-	-	2/	-	-	-
Italy	19	9	66	3,076	8,369	4,311
Netherlands	365	1,029	967	787	81	42
United Kingdom	1,117	643	144	126	313	298
West Germany	771	2,572	3,256	4,931	5,111	3,297
Subtotal, EC	2,464	4,445	4,577	9,431	14,445	8,316
All other	100,887	157,918	151,853	108,413	114,839	76,233
Total, all sources	103,351	162,363	156,410	117,754	129,284	84,549

1/ Less than 0.5 tons.

2/ Less than 500 dollars.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2c.--Line pipe: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June, 1982, and Jan.-June, 1983

Source	(Quantity in short tons; value in thousands of dollars)					January-June		
	1978	1979	1980	1981	1982	1982	1982	1983
Quantity								
EC countries:								
Belgium-Luxembourg	0	1	0	1,517	138	0	713	
Denmark	0	0	0	6	115	115	0	
France	29,917	190	2,399	76,664	107,596	81,743	18,418	
Greece	23,732	27,412	7,449	14,498	9,800	6,292	0	
Ireland	0	0	0	0	0	0	0	
Italy	27,836	6,785	2,065	148,022	39,617	17,038	2,664	
Netherlands	0	0	1	207	3,043	2,792	10	
United Kingdom	299	267	30	4,843	4,485	4,018	3,828	
West Germany	36,228	10,501	1,337	25,628	206,707	130,653	17,060	
Subtotal, EC	118,012	45,156	13,301	271,385	371,501	242,671	42,693	
All other	324,278	514,434	476,755	762,706	883,366	562,015	153,671	
Total, all sources	442,290	559,590	490,056	1,034,091	1,254,867	804,686	196,364	
Value								
EC countries:								
Belgium-Luxembourg	-	1/	-	709	66	-	149	
Denmark	-	-	-	2	51	51	-	
France	8,547	69	999	45,998	69,063	52,285	7,280	
Greece	6,491	8,048	2,981	6,142	4,492	2,968	-	
Ireland	-	-	-	-	-	-	-	
Italy	7,800	2,568	874	79,163	18,866	10,566	807	
Netherlands	-	-	6	325	1,842	1,598	65	
United Kingdom	170	96	22	2,100	2,999	2,433	1,284	
West Germany	12,357	4,621	1,086	13,237	130,780	82,515	7,283	
Subtotal, EC	35,365	15,402	5,968	147,676	228,159	152,416	16,868	
All other	107,835	217,486	202,784	383,148	491,722	317,624	55,963	
Total, all sources	143,200	232,888	208,752	530,824	719,881	470,040	72,831	

1/ Less than 500 dollars.

Table 2d.--Oil country tubular goods: U.S. imports for consumption from EC countries and other sources, 1978-1982 and by specified periods, 1982 and 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1982 1983
Quantity						
Value						
EC countries:						
Belgium-Luxembourg	8,452	3,398	2,871	73,890	37,020	31,791 3,005
Denmark	12	10	1	0	10	3 0
France	7,846	1,181	2,623	57,296	44,792	37,746 11,461
Greece	10,163	14,094	30,591	52,105	67,068	53,601 8,318
Ireland	0	25	1/	0	0	0 0
Italy	52,197	14,815	85,221	315,186	321,319	236,022 72,859
Netherlands	183	638	625	1,175	214	214 1/
United Kingdom	20,054	18,295	8,266	60,629	86,035	81,815 3,039
West Germany	58,196	24,948	83,708	708,996	302,454	259,239 13,489
Subtotal, EC	157,103	77,404	213,406	1,269,277	858,912	700,431 112,171
All other	779,520	669,319	1,320,402	2,234,560	1,821,773	1,284,642 175,604
Total, all sources	936,623	746,723	1,533,808	3,503,837	2,680,685	1,985,073 287,775
Value						
EC countries:						
Belgium-Luxembourg	3,851	1,860	1,459	55,026	35,238	31,130 1,289
Denmark	51	50	7	-	21	4 -
France	3,993	1,614	3,791	54,666	64,632	56,715 8,304
Greece	3,012	4,707	12,765	25,436	34,467	27,446 4,209
Ireland	-	33	1	-	-	- -
Italy	26,315	10,873	50,113	229,966	283,189	206,755 46,047
Netherlands	84	263	522	838	231	231 1
United Kingdom	15,722	15,730	9,180	56,180	72,537	68,301 2,371
West Germany	33,250	20,206	58,295	508,781	295,342	253,127 9,850
Subtotal, EC	86,278	55,336	136,133	930,893	785,657	643,709 72,071
All other	421,867	395,293	871,875	1,961,543	1,836,042	1,282,049 116,447
Total, all sources	508,145	450,629	1,008,008	2,892,436	2,621,699	1,925,758 188,518

1/ Less than 0.5 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2e.—Mechanical tubing: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June 1982 and Jan.-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1982 1983
Quantity						
EC countries:						
Belgium-Luxembourg	56	0	22	0	33	33 0
Denmark	0	0	0	0	0	0 1/
France	2,212	1,469	1,088	1,515	1,438	669 447
Greece	0	0	0	0	0	0 0
Ireland	0	0	0	0	0	0 0
Italy	695	685	9	63	182	105 107
Netherlands	20	19	0	0	193	172 3
United Kingdom	1,813	2,184	812	991	4,557	3,428 940
West Germany	3,444	3,903	3,097	3,871	10,321	7,905 1,950
Subtotal, EC	8,240	8,260	5,019	6,440	16,724	12,312 3,447
All other	21,482	19,732	18,537	18,837	30,496	18,083 9,782
Total, all sources	29,722	27,992	23,556	25,277	47,220	30,395 13,229
Value						
EC countries:						
Belgium-Luxembourg	42	0	26	0	114	114 0
Denmark	-	-	-	-	0	0 2
France	1,726	1,358	1,157	1,865	2,194	1,006 494
Greece	-	-	-	-	-	- -
Ireland	-	-	-	-	-	- -
Italy	491	591	10	76	196	51 122
Netherlands	14	17	-	-	165	153 1
United Kingdom	1,474	2,036	965	1,262	5,609	4,093 1,391
West Germany	2,670	3,269	2,965	4,065	11,222	8,607 1,920
Subtotal, EC	6,417	7,271	5,123	7,268	19,500	14,024 3,930
All other	15,614	16,478	16,114	17,939	30,160	17,907 9,396
Total, all sources	22,031	23,749	21,297	25,207	49,660	31,931 13,326

1/ Less than 0.5 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2f.--Pressure tubing: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June 1982 and Jan.-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1983
Quantity						
EC countries:						
Belgium-Luxembourg	0	0	1	231	162	161
Denmark	0	0	1/	0	1/	0
France	135	176	311	1,676	2,286	643
Greece	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Italy	51	169	83	358	2,282	314
Netherlands	41	58	0	1/	90	88
United Kingdom	1,255	1,844	1,071	2,665	4,665	3,332
West Germany	816	2,053	578	8,763	5,658	3,155
Subtotal, EC	2,298	4,300	2,044	13,693	15,143	9,651
All other	29,542	29,117	23,546	26,616	32,117	17,333
Total, all sources	31,840	33,417	27,590	40,309	47,860	26,986
Value						
EC countries:						
Belgium-Luxembourg	-	-	4	156	147	142
Denmark	-	-	2/	-	1	-
France	227	173	322	1,296	2,253	1,534
Greece	-	-	-	-	-	1,021
Ireland	-	-	-	-	-	-
Italy	42	300	161	339	1,892	495
Netherlands	19	63	-	1	116	113
United Kingdom	1,098	1,075	721	1,978	4,029	2,748
West Germany	1,117	2,048	504	6,224	6,391	3,469
Subtotal, EC	2,503	3,659	1,712	9,994	14,829	8,501
All other	18,126	23,129	20,333	24,754	33,935	17,312
Total, all sources	21,229	26,788	22,045	34,748	48,764	25,813

1/ Less than 0.5 tons.

2/ Less than 500 dollars.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2g.--Stainless steel pipe and tubing: U.S. imports for consumption from EC countries and other sources, 1978-1982, Jan.-June 1982 and Jan.-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					
	1978	1979	1980	1981	1982	January-June 1983
Quantity						
EC countries:						
Belgium-Luxembourg	13	0	69	604	4	4
Denmark	0	0	1/	0	0	1/
France	472	490	243	258	652	332
Greece	-	-	-	-	-	-
Ireland	-	-	-	-	1/	1/
Italy	70	280	167	1,675	887	676
Netherlands	0	0	1/	67	384	295
United Kingdom	613	217	128	199	532	361
West Germany	412	174	2,386	3,183	2,334	1,763
Subtotal, EC	1,580	1,161	2,993	5,986	4,793	3,431
All other	23,682	19,724	20,083	24,700	21,641	14,050
Total, all sources	25,262	20,885	23,076	30,686	26,434	17,491
Value						
EC countries:						
Belgium-Luxembourg	34	0	192	556	13	13
Denmark	0	0	2	0	0	2/
France	12,259	1,434	804	833	1,742	966
Greece	-	-	-	-	-	-
Ireland	-	-	-	-	32	16
Italy	105	491	356	3,444	1,789	1,345
Netherlands	0	0	1	176	970	692
United Kingdom	1,792	811	589	832	1,790	1,198
West Germany	1,376	441	10,078	10,846	6,803	4,362
Subtotal, EC	4,566	3,117	12,022	16,687	13,139	8,592
All other	63,158	62,683	73,027	88,576	74,685	48,534
Total, all sources	67,724	65,860	85,049	105,263	87,824	57,126

1/ Less than 0.5 tons.

2/ Less than five hundred dollars.

Source: Compiled from official statistics of the U.S. Department of Commerce.



Table 2h.--Total pipe and tube: U.S. imports for consumption from EC countries and other sources, 1978-1982, January-June 1982 and January-June 1983

Source	(Quantity in short tons; value in thousands of dollars)					January-June	
	1978	1979	1980	1981	1982	1982	1983
<b>EC countries:</b>							
Belgium-Luxembourg	26,326	15,842	11,132	80,003	47,766	36,520	16,211
Denmark	39	31	22	25	391	384	5
France	43,604	3,736	6,731	149,285	169,596	132,968	35,972
Greece	44,184	50,680	47,992	69,513	76,868	59,893	8,318
Ireland	0	25	1/	1/	1/	1/	0
Italy	139,262	50,081	100,399	543,581	402,148	288,046	80,704
Netherlands	1,454	3,601	2,600	16,449	20,978	9,254	8,048
United Kingdom	50,562	33,839	16,850	79,119	111,453	101,632	11,638
West Germany	120,689	48,972	122,297	838,763	590,163	459,663	40,239
Subtotal, EC	426,120	206,807	308,023	1,776,738	1,419,363	1,088,360	201,135
All other	2,613,777	2,701,405	3,462,682	4,785,574	3,825,082	2,466,777	953,220
Total, all sources 2/	3,039,897	2,908,212	3,770,685	6,562,312	5,244,365	3,555,137	1,154,355
<b>Value</b>							
<b>EC countries:</b>							
Belgium-Luxembourg	9,287	6,800	5,474	58,340	41,852	35,620	5,309
Denmark	161	126	90	70	221	201	27
France	16,370	4,795	7,174	109,568	149,323	121,235	23,842
Greece	12,125	15,432	19,941	32,848	38,959	30,414	4,209
Ireland	-	33	1	1	32	16	-
Italy	53,763	25,940	57,115	353,664	331,133	239,421	49,403
Netherlands	828	2,520	2,196	10,186	13,592	6,354	3,330
United Kingdom	29,909	25,782	15,060	68,304	96,566	85,685	7,689
West Germany	61,318	36,455	93,315	610,149	497,508	393,135	29,481
Subtotal, EC	183,801	117,883	200,366	1,243,130	1,169,186	912,081	123,290
All other	1,110,174	1,312,078	1,880,421	3,370,954	2,976,231	1,997,881	421,435
Total, all sources 2/	1,293,975	1,429,959	2,080,787	4,584,084	4,145,417	2,909,962	544,725

1/ Less than 0.5 tons.

2/ These totals do not include the following tonnages of "other pipe and tube" for which country-by-country allocation was not possible: 1978, 6,052 tons; 1979-11,842 tons; 1980-5,910 tons; 1981-6,268 tons; 1982-5,587 tons; January-June 1982-3,720 tons; January-June 1983 2,178 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Pipe and tube products: U.S. exports of pipe and tube products, by category, 1978-1982, Jan.-June 1982, and Jan.-June, 1983

Item	1978	1979	1980	1981	1982	January-June	
						1982	1983
							</

1/ Due to rounding, numbers do not add to totals shown.

Source: U.S. Department of Commerce.

Table 4.--Steel pipe and tube products: Staged rates of duty applicable to TSUS categories covered by S. 1035

TSUS item	Prior rate	Rates of duty $\frac{1}{2}$ , effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after --							
		January 1, 1980 except as noted	January 1, 1981	January 1, 1982	January 1, 1983	January 1, 1984	January 1, 1985	January 1, 1986	January 1, 1987
610.30	0.875c per lb.	0.875c/lb.	0.875c/lb.	6.2%	5.8%	5.5%	5.2%	4.8%	4.5%
610.31	0.625c per lb.	0.625c/lb.	0.625c/lb.	3.1%	3%	2.9%	2.8%	2.7%	2.6%
610.32	0.3c per lb.	0.3c/lb.	0.3c/lb.	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
610.33	0.875c per lb. + 4% ad val. + additional duties	0.875c/lb. + 4% + additional duties	0.875c/lb. + 4% + additional duties	4.8% + additional duties	4.6% + additional duties	4.4% + additional duties	4.1% + additional duties	3.9% + additional duties	3.7% + additional duties
610.36	0.625c per lb. + 4% ad val. + additional duties	0.625c/lb. + 4% + additional duties	0.625c/lb. + 4% + additional duties	4.4% + additional duties	4.2% + additional duties	4.1% + additional duties	3.9% + additional duties	3.7% + additional duties	3.5% + additional duties
610.37	0.3c per lb. + 4% ad val. + additional duties	4.9% + additional duties	4.9% + additional duties	4.8% + additional duties	4.9% + additional duties	4.9% + additional duties	4.9% + additional duties	4.9% + additional duties	4.9% + additional duties
610.39	0.1c per lb.	0.1c/lb.	0.1c/lb.	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
610.40	0.1c per lb. + 4% ad val. + additional duties	0.1c/lb. + 4% + additional duties	0.1c/lb. + 4% + additional duties	4.1% + additional duties	4% + additional duties	3.8% + additional duties	3.6% + additional duties	3.5% + additional duties	3.3% + additional duties
610.42	7.5% ad val.	7.5%	7.5%	7.3%	7%	6.8%	6.5%	6.3%	6%
610.43	11% ad val. + additional duties	11% + additional duties	11% + additional duties	10.2% + additional duties	9.4% + additional duties	8.6% + additional duties	7.8% + additional duties	7% + additional duties	6.2% + additional duties
610.45	11% ad val.	11%	11%	10.2%	9.4%	8.6%	7.8%	7%	6.2%
610.46	13% ad val. + additional duties	13% + additional duties	13% + additional duties	12% + additional duties	10.9% + additional duties	9.9% + additional duties	8.8% + additional duties	7.8% + additional duties	6.7% + additional duties
610.48	11% ad val.	11%	11%	10.2%	9.4%	8.6%	7.8%	7%	6.2%
610.49	10.5% ad val.	10.5%	10.5%	10.1%	9.7%	9.3%	8.8%	8.4%	8%
610.51	13% ad val. + additional duties	13% + additional duties	13% + additional duties	12.1% + additional duties	11.2% + additional duties	10.3% + additional duties	9.3% + additional duties	8.4% + additional duties	7.5% + additional duties
610.52	13% ad val. + additional duties	13% + additional duties	13% + additional duties	12.1% + additional duties	11.2% + additional duties	10.3% + additional duties	9.3% + additional duties	8.4% + additional duties	7.5% + additional duties

Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by S. 1035 and ad valorem equivalent rates where applicable

S T	Item	Stat. duty rate	Articles	Units of Quantity	Rates of Duty		
					1	LDC	2
			Pipes and tubes and blanks therefor, all the foregoing of iron (except cast iron) or steel: welded, jointed, or seamed, with walls not thinner than 0.065 inch, and of circular cross section:				
	610.30	00	Other than alloy iron or steel:				
			Under 0.25 inch in outside diameter.....	Lb.....	5.6% ad val.	4.5% ad val.	13% ad val.
	610.31	00	0.25 inch or more but under 0.375 inch in outside diameter.....	Lb.....	3% ad val.	2.6% ad val.	6.3% ad val.
	610.32	05	0.375 inch or more in outside diameter... Suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters...	Lb.	1.9% ad val.		5.5% ad val.
			Other:				
			Conforming to A.P.I. specifications for line pipe (std. 30, 35, or 50):				
		08	Not over 4.5 inches in outside diameter.....	Lb.			
		09	Over 4.5 inches but not over 16 inches in outside diameter.....	Lb.			
		11	Over 16 inches in outside diameter.....	Lb.			
			Conforming to A.P.I. specifications for oil well tubing:				
		16	Imported with coupling....	Lb.			
		19	Other.....	Lb.			
		21	Cold drawn pipes and tubes.....	Lb.			
		27	Other:				
			Cold rolled pipes and tubes with wall thickness not exceeding 0.1 inch.....	Lb.			
			Other:				
			Not over 4.5 inches in outside diameter:				
			Imported with coupling:				
		31	Galvanized.....	Lb.			
		32	Other.....	Lb.			
		41	Other:				
			Galvanized.....	Lb.			
		44	Other.....	Lb.			
		47	Over 4.5 inches but not over 16 inches in outside diameter.....	Lb.			
		51	Over 16 inches in outside diameter.....	Lb.			
	610.35	00	Alloy iron or steel: Under 0.25 inch in outside diameter.....	Lb.....	4.6% ad val. + additional duties (see headnote 4)	3.7% ad val. + additional duties (see headnote 4)	10% ad val. + additional duties (see headnote 4)
	610.36	00	0.25 inch or more but under 0.375 inch in outside diameter.....	Lb.....	4.2% ad val. + additional duties (see headnote 4)	3.5% ad val. + additional duties (see headnote 4)	9.5% ad val. + additional duties (see headnote 4)

Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by S. 1035 and ad valorem equivalent rates where applicable--Continued

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
	610.37		Pipes and tubes and blanks therefor, etc. (con.): Welded, joined, or seamed, etc. (con.): Alloy iron or steel (con.): 0.375 inch or more in outside diameter.....	.....	4.92 ad val. + additional duties (see headnote 4)		10% ad val. + additional duties (see headnote 4)
			Suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters:				
		01	Stainless steel.....	Lb.			
		04	Other.....	Lb.			
			Other:				
			Conforming to A.P.I. speci- fications for line pipe				
		11	(Std. 5L, 5LX, 5LS): Not over 4.5 inches in outside diameter.....	Lb.			
		12	Over 4.5 inches but not over 16 inches in out- side diameter.....	Lb.			
		13	Over 16 inches in out- side diameter.....	Lb.			
			Conforming to A.P.I. speci- fications for oil well tubing:				
		21	Imported with coupling....	Lb.			
		22	Other.....	Lb.			
			Cold drawn pipes and tubes:				
		27	Stainless steel.....	Lb.			
		28	Other.....	Lb.			
			Other:				
			Cold rolled pipes and tubes with wall thickness not exceeding 0.1 inch:				
		31	Stainless steel.....	Lb.			
		32	Other.....	Lb.			
			Other:				
		41	Stainless steel: Not over 4.5 inches in out- side diameter....	Lb.			
		42	Over 4.5 inches in outside diameter.....	Lb.			
		51	Other.....	Lb.			

Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by S. 1035 and ad valorem equivalent rates where applicable--Continued

610.39 - 610.46

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDC	2
			Pipes and tubes and blanks therefore, etc. (con.):				
			Other:				
			Steel pipe conforming to the A.P.I. speci-				
			fications for oil well casing and steel				
			pipes and tubes of rectangular cross section,				
			whether welded or seamless, having a wall				
			thickness not less than 0.156 inch:				
			Not threaded and not otherwise advanced:				
	610.39		Other than alloy steel.....		0.5% ad val.		1% ad val.
		25	Oil well casing:				
		35	Seamless.....	Lb.			
		45	Other.....	Lb.			
		55	Other:				
			Seamless.....	Lb.			
	610.40		Other.....	Lb.			
			Alloy steel.....		4% ad val. +	3.3% ad val.	8.5% ad val. +
					additional	+ additional	additional
					duties (see	duties (see	duties (see
					headnote 4)	headnote 4)	headnote 4)
		25	Oil well casing:				
		35	Seamless.....	Lb.			
		45	Other.....	Lb.			
		55	Other:				
			Seamless.....	Lb.			
			Other.....	Lb.			
	610.42		Threaded or otherwise advanced:				
			Other than alloy steel.....		7% ad val.	6% ad val.	20% ad val.
		25	Oil well casing:				
		35	Seamless.....	Lb.			
		45	Other.....	Lb.			
		55	Other:				
			Seamless.....	Lb.			
			Other.....	Lb.			
	610.43		Alloy steel.....		9.4% ad val.	6.2% ad val.	28% ad val. +
					+ additional	+ additional	additional
					duties (see	duties (see	duties (see
					headnote 4)	headnote 4)	headnote 4)
		25	Oil well casing:				
		35	Seamless.....	Lb.			
		45	Other.....	Lb.			
		55	Other:				
			Seamless.....	Lb.			
			Other.....	Lb.			
			Other:				
			Suitable for use in the manufacture				
			of ball or roller bearings:				
	610.45	00	Other than alloy iron or steel.....	Lb.....	9.4% ad val.	6.2% ad val.	25% ad val.
	610.46	00	Alloy iron or steel.....	Lb.....	10.9% ad val. +	6.7% ad val.	33% ad val. +
					additional	+ additional	additional
					duties (see	duties (see	duties (see
					headnote 4)	headnote 4)	headnote 4)

Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by S. 1035 and ad valorem equivalent rates where applicable--Continued

6-2-B 610.48-610.49				Units of Quantity	Rates of Duty		
G S T	Item	Stat. Suf- fix	Articles		1	LDOC	2
			Pipes and tubes and blanks therefor, etc. (con.):				
			Other (con.):				
			Other (con.):				
			Not suitable for use in the manufac-				
			ture of ball or roller bearings:				
			Other than alloy iron or steel:				
610.48	00		Hollow bars.....	Lb.....	9.42 ad val.	6.22 ad val.	222 ad val.
610.49	20		Other.....	.....	9.72 ad val.	82 ad val.	252 ad val.
			Seamless, suitable for				
			use in boilers, super-				
			heaters, heat exchang-				
			ers, condensers, re-				
			fining furnaces, and				
			feedwater heaters.....	Lb.			
			Other:				
			Conforming to A.P.I.				
			specifications for				
			line pipe (Std. 5L,				
			5LX, or 5LS):				
			Not over 4.5				
			inches in out-				
			side diameter...	Lb.			
			Over 4.5 inches				
			but not over 16				
			inches in out-				
			side diameter...	Lb.			
			Over 16 inches				
			in outside				
			diameter.....	Lb.			
			Conforming to A.P.I.				
			specifications for				
			oil well tubing:				
			Imported with				
			coupling.....	Lb.			
			Other.....	Lb.			
			Conforming to A.P.I.				
			specifications for				
			oil well drill pipe..	Lb.			
			Cold drawn pipes and				
			tubes.....	Lb.			
			Other:				
			Of circular				
			cross section,				
			not over 4.5				
			inches in out-				
			side diameter:				
			Galvanized,				
			imported				
			with coup-				
			ling.....	Lb.			

Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by 5. 1035 and ad valorem equivalent rates where applicable--Continued

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDLC	2
			Pipes and tubes and blanks therefor, etc. (con.): Other (con.): Other (con.): Not suitable for use in the manufac- ture of ball or roller bearings (con.): Other than alloy iron or steel (con.): Other (con.): Other (con.): Other (con.): Of circular cross section, not over 4.5 inches in out- side diameter (con.): Galvanized, not import- ed with coupling....	Lb.			
	610.49 (con.)						
		52					
		60	Other, im- ported with coupling....	Lb.			
		61	Other, not imported with coup- ling.....	Lb.			
		65	Of circular cross section, over 4.5 inches but not over 16 inches in out- side diameter....	Lb.			
		70	Of circular cross section, over 16 inches in outside diameter.....	Lb.			
		75	Other.....	Lb.			
	610.51		Alloy iron or steel: Hollow bars.....		11.2% ad val. + additional duties (see headnote 4)	7.5% ad val. + additional duties (see headnote 4)	30% ad val. + additional duties (see headnote 4)
		30	Stainless steel and heat resisting steel.....	Lb.			
	610.52	60	Other.....	Lb.	11.2% ad val. + additional duties (see headnote 4)	7.5% ad val. + additional duties (see headnote 4)	35% ad val. + additional duties (see headnote 4)
			Seamless, suitable for use in boilers, super- heaters, heat exchangers, condensers, refining fur- naces, and feedwater heaters: Stainless steel.....	Lb.			
		05	Other: Containing 0.4 percent or more of molybdenum....	Lb.			
		06		Lb.			
		08	Other.....	Lb.			
							(1st supp. 2/11/63)



Table 5.--Steel pipe and tube products: U.S. rate of duty currently applicable to TSUSA categories covered by S, 1035 and ad valorem equivalent rates where applicable--Continued

610.52 --			Articles	Units of Quantity	Rates of Duty		
C S P	Item	Stat. Suf- fix			1	LDDC	2
			Pipes and tubes and blanks therefor, etc. (con.):				
			Other (con.):				
			Other (con.):				
			Not suitable for use in the manufacture of ball or roller bearings (con.):				
			Alloy iron or steel (con.):				
			Other (con.):				
			Other:				
			Conforming to A.P.I. specifications for line pipe (Std. 5L, 5LX, 5LS):				
	610.52 (con.)		Not over 4.5 inches in outside diameter...	Lb.			
		11					
		14	Over 4.5 inches but not over 16 inches in outside diameter...	Lb.			
		16	Over 16 inches in outside diameter.....	Lb.			
			Conforming to A.P.I. specifications for oil well tubing:				
		21	Imported with coupling.....	Lb.			
		22	Other.....	Lb.			
		28	Conforming to A.P.I. specifications for oil well drill pipe..	Lb.			
		29	Cold drawn pipes and tubes.....	Lb.			
			Other:				
			Stainless steel:				
		30	Seamless...	Lb.			
		31	Other.....	Lb.			
			Heat resisting steel:				
		34	Seamless...	Lb.			
		36	Other.....	Lb.			
		41	Containing 0.4 percent or more of molybdenum (other than stainless or heat resisting steel).....	Lb.			
			Other:				
		46	Seamless...	Lb.			
		47	Other.....	Lb.			

## Appendix II

The following product definitions are taken from the last published Federal Register notice of a determination in the cases subject to this notice of termination.

1. The term "carbon steel structural shapes" covers hot-rolled, forged, extruded, or drawn, or cold-formed or cold-finished carbon steel angles, shapes, or sections, not drilled, not punched, and not otherwise advanced, and not conforming completely to the specifications given in the headnotes to Schedule 6, Part 2 of the *Tariff Schedules of the United States Annotated* ("TSUSA"), for blooms, billets, slabs, sheet bars, bars, wire rods, plates, sheets, strip, wire, rails, joint bars, flat plates, or any tubular products set forth in the TSUSA, having a maximum cross-sectional dimension of 3 inches or more, as currently provided for in Items 808.8005, 808.8015, 808.8035, 808.8043, or 808.8045 of the TSUSA. Such products are generally referred to as structural shapes.

2. The term "hot-rolled carbon steel plate" covers hot-rolled carbon steel products, whether or not corrugated or crimped; not pickled; not cold-rolled; not in coils; not cut, not pressed, and not stamped to non-rectangular shape; 0.1875 inch or more in thickness and over 8 inches in width; as currently provided for in Items 807.8615, or 807.94, of the *Tariff Schedules of the United States Annotated* ("TSUSA"), and hot- or cold-rolled carbon steel plate which has been coated or plated with zinc, including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in Items 808.0710 or 808.111 of the TSUSA. Semifinished products of solid rectangular cross section with a width at least four times the thickness in the as cast condition or processed only through primary mill hot rolling are not included.

3. The term "hot-rolled carbon steel sheet and strip" covers the following hot-rolled carbon steel products: Hot-rolled carbon steel sheet is a hot-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 8 inches in width and in coils or if not in coils under 0.1875 inch in thickness and over 12 inches in width; as currently provided for in Items 807.8610, 807.8700, 807.8320, 807.8342, or 807.9400 of the *Tariff Schedules of the United States Annotated* ("TSUSA"). Please note that the definition of hot-rolled carbon steel sheet includes some

products classified as "PLATE" in the TSUSA (Items 807.8610 and 807.8320). Hot-rolled carbon steel strip is a flat-rolled steel product, whether or not corrugated or crimped and whether or not pickled; not cold-rolled, not cut, not pressed, and not stamped to non-rectangular shape; under 0.1875 inch in thickness and not over 12 inches in width; as currently provided for in Items 808.1820, 808.2120, or 808.2320 of the TSUSA. Hot-rolled carbon steel strip originally rolled less than 12 inches in width and containing over 0.25 percent carbon is not included.

4. The term "cold-rolled carbon steel sheet and strip" covers the following cold-rolled carbon steel products. Cold-rolled carbon steel sheet is a cold-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 12 inches in width and in coils or if not in coils under 0.1875 inch in thickness; as currently provided for in Items 807.8320 or 807.8344 of the *Tariff Schedules of the United States Annotated* ("TSUSA"). Please note that the definition of cold-rolled carbon steel sheet includes some products classified as "Plate" in the TSUSA (Item 807.8320). Cold-rolled carbon steel strip is a flat-rolled carbon steel product; cold-rolled, whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; under 0.1875 inch in thickness and over 0.50 inch in width but not over 12 inches in width; as currently provided for in Items 808.1940, 808.2140, or 808.2340 of the TSUSA. Cold-rolled carbon steel strip originally rolled less than 12 inches in width and containing over 0.25 percent carbon is not included.

5. The term "galvanized carbon steel sheet" covers hot- or cold-rolled carbon steel sheet which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in Items 808.0720, 808.0730, 808.1210, or 808.13 of the *Tariff Schedules of the United States Annotated* ("TSUSA"). Note that the definition of galvanized carbon steel sheet includes some products classified as "Plate" in the TSUSA (Items 808.0710 and 808.111). Hot- or cold-rolled carbon steel sheet which has been coated or plated with metal other than zinc is not included.

6. The term "hot-rolled carbon steel bars" covers hot-rolled carbon steel products of solid section which have cross sections in the shape of circles, segments of circles, ovals, triangles,

rectangles, hexagons, or octagons, not cold-formed, and not coated or plated with metal, as currently provided for in Items 808.8310, 808.8330, or 808.8350 of the *Tariff Schedules of the United States Annotated*.

7. The term "hot-rolled alloy steel bars" covers hot-rolled alloy steel products, other than those of stainless or tool steel, of solid section which have cross sections in the shape of circles, segments of circles, ovals, triangles, rectangles, hexagons, or octagons, not cold-formed, as currently provided for in Item 808.97 of the *Tariff Schedules of the United States*.

8. The term "cold-formed carbon steel bars" covers cold-formed carbon steel products of solid section which have cross sections in the shape of circles, segments of circles, ovals, triangles, rectangles, hexagons, or octagons, as currently provided for in Items 808.8805 or 808.8815 of the *Tariff Schedules of the United States Annotated*.

9. The term "cold-formed alloy steel bars" covers cold-formed alloy steel products, other than those of stainless or tool steel, of solid section which have cross sections in the shape of circles, segments of circles, ovals, triangles, rectangles, hexagons, or octagons, as currently provided for in Item 808.99 of the *Tariff Schedules of the United States*.

10. The term "large diameter welded carbon steel pipes and tubes" covers welded carbon steel pipes and tubes with walls not thinner than 0.063 of an inch for circular cross section and over 16 inches in outside diameter, as currently provided for in Items 810.3211 and 810.3251 of the *Tariff Schedules of the United States Annotated* ("TSUSA"). Pipes and tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings, cold-drawn pipes and tubes and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 of an inch are not included.

11. The term "Steel Rails" covers hot-rolled carbon steel rails and hot-rolled alloy steel rails, whether or not punched, weighing not less than 8 pounds per yard, with cross-sectional shapes intended for carrying wheel loads in railroad, railway and crane runway applications, as currently provided for in Items 810.2010, 810.2020 and 810.2100 of the *Tariff Schedules of the United States Annotated* ("TSUSA").

## Appendix III—Arrangement

Concerning trade in certain steel products between the European Coal

and Steel Community (hereinafter called "the ECSC") and the United States (hereinafter called "the U.S.").

1. *Basis of the Arrangement.* Recognizing the policy of the ECSC of restructuring its steel industry including the progressive elimination of state aids pursuant to the ECSC State Aids Code; recognizing also the process of modernization and structural change in the United States of America (hereinafter called the "USA"); recognizing the importance as concluded by the OECD of restoring the competitiveness of OECD steel industries; and recognizing, therefore, the importance of stability in trade in certain steel products between the European Community (hereinafter called "the Community") and the USA:

The objective of this Arrangement is to give time to permit restructuring and therefore to create a period of trade stability. To this effect the ECSC<sup>1</sup> shall restrain exports to or destined for consumption in the USA of products described in Article 3 (a) originating in the Community (such exports hereinafter called "the Arrangement products") for the period 1st November 1982 to 31st December 1985.

The ECSC shall ensure that in regard to exports effected between 1st August and 31st October 1982, aberrations from seasonal trade patterns of Arrangement products will be accommodated in the ensuing licensing period.

2. *Condition—Withdrawal of petitions; new petitions.* (a) The entry into effect of this Arrangement is conditional upon:

(1) The withdrawal of the petitions and termination of all investigations concerning all countervailing duty and antidumping duty petitions listed in Appendix A at the latest by 21st October 1982; and

(2) Receipt by the U.S. at the same time of an undertaking from all such petitioners not to file any petitions seeking import relief under U.S. law, including countervailing duty, antidumping duty, Section 301 of the Trade Act of 1974 (other than Section 301 petitions relating to third country sales by U.S. exporters) or Section 337 of the Tariff Act of 1930, on the Arrangement products during the period in which this Arrangement is in effect.

(b) If during the period in which the Arrangement is in effect, any such investigations<sup>2</sup> or investigations under

Section 201 of the Trade Act of 1974, Section 232 of the Trade Expansion Act of 1962, or Section 301 of the Trade Act of 1974 (other than Section 301 petitions relating to third country sales by U.S. exporters) are initiated or petitions filed or litigation (including antitrust litigation) instituted with respect to the Arrangement products, and the petitioner of litigation is one of those referred to in article 2a), the ECSC shall be entitled to terminate the Arrangement with respect to some or all of the Arrangement products after consultations with the U.S., at the earliest 15 days after such consultations.

If such petitions are filed or litigation commenced by petitioners or litigants other than those referred to in the previous paragraph, or investigations initiated, on any of the Arrangement products, the ECSC shall be entitled to terminate the Arrangement with respect to the Arrangement product which is the subject of the petition, litigation or investigation after consultations with the U.S., at the earliest 15 days after such consultations. In addition, if during the consultations it is determined that the petition, litigation or investigation threatens to impair the attainment of the objectives of the Arrangement, then the ECSC shall be entitled to terminate the Arrangement with respect to some or all Arrangement products, at the earliest 15 days after such consultations.

These consultations will take into account the nature of the petitions or litigation, the identity of the petitioner or litigant, the amount of trade involved, the scope of relief sought, and other relevant factors.

(c) If, during the term of this Arrangement, any of the above mentioned proceedings of litigation is instituted in the USA against certain steel products as defined in Article 3 (b) imported from the Community which are not Arrangement products and which substantially threaten its objective, then the ECSC and the U.S., before taking any other measure, shall consult to consider appropriate remedial measures.

3. *Product description.* (a) The products are:

Hot-rolled sheet and strip  
Cold-rolled sheet  
Plate  
Structurals  
Wire rods  
Hot-rolled bars  
Coated sheet  
Tin plate  
Rails  
Sheet piling  
as described and classified in Appendix B by reference to corresponding Tariff Schedules of the United States

Annotated (TSUSA) item numbers and EC NIMEXE classification numbers.

(b) For purposes of this Arrangement, the term "certain steel products" refers to the products described in Appendix E.

4. *Export Limits.* (a) For the period 1st November 1982 to 31 December 1983 (hereinafter called "the Initial Period") and thereafter for each of the years 1984 and 1985 export licenses shall be required for the Arrangement products. Such licenses shall be issued to Community exporters for each product in quantities no greater than the following percentages of the projected U.S. Apparent Consumption (hereinafter called "export ceilings") for the relevant period:

Product	Percentage
Hot-rolled sheet and strip	8.01
Cold-rolled sheet	5.11
Plate	5.08
Structurals	8.91
Wire rods	4.39
Hot-rolled bars	2.26
Coated sheet	5.27
Tin plate	8.90
Rails	21.06
Sheet piling	

For the purposes of this Arrangement, "U.S. Apparent Consumption" shall mean shipments (deliveries) minus exports plus imports, as described in Appendix D.

(b) Where Arrangement products imported into the USA are subsequently re-exported therefrom, without having been subject to substantial transformation, the export ceiling for such products for the period corresponding to the time of such re-export shall be increased by the same amount.

(c) For the purposes of this Arrangement the USA shall comprise both the U.S. Customs Territory and U.S. Foreign Trade Zones. In consequence the entry into the U.S. Customs Territory of Arrangement products which have already entered into a Foreign Trade Zone shall not then be again taken into account as imports of Arrangement products.

5. *Calculation and revision of U.S. Apparent Consumption forecast and of export limits.* The U.S., in agreement with the ECSC, will select an independent forecaster which will provide the estimate of U.S. Apparent Consumption for the purposes of this Arrangement.

For the Initial Period, a first projection of the U.S. Apparent Consumption by product will be established as early as possible and in any event before 20th October 1982. A provisional export

<sup>1</sup> To the extent that the Arrangement products are subject to the Treaty establishing the European Economic Community (the EEC), the term "ECSC" should be substituted by "EEC".

<sup>2</sup> With respect to any Section 337 investigation, the parties shall consult to determine the basis for the investigation.

calling for each product will then be calculated for that period by multiplying the U.S. Apparent Consumption of each product by the percentage indicated in Article 4 for that product. These figures for projected Apparent Consumption will be revised in December 1982, February, May, August and October of 1983, by the said independent forecaster, and appropriate adjustments will be made to the export ceilings for each product taking into account licenses already issued under Article 4.

The same procedure will be followed to calculate and revise the U.S. Apparent Consumption and export ceilings for 1984 and for 1985, the first projection being established by the independent forecaster by 1st October of 1983 and 1984, respectively.

In February of each year as from 1984, adjustments to that year's export ceiling for each product will be made for differences between the forecasted U.S. Apparent Consumption and actual U.S. Apparent Consumption of that product in the previous year or (in February 1984) in the Initial Period.

**6. Export Licences and Certificates.** (a) By Decisions and Regulations to be published in the Official Journal of the European Communities the ECSC will require an export licence for all Arrangement products. Such export licences will be issued in a manner that will avoid abnormal concentrations in exports of Arrangement products to the USA taking into account seasonal trade patterns. The ECSC shall take such action, including the imposition of penalties, as may be necessary to make effective the obligations resulting from the export licences. The ECSC will inform the U.S. of any violations concerning the export licences which come to its attention and the action taken with respect thereto.

Export licences will provide that shipment must be made within a period of three months.

Export licences will be issued against the export ceiling for the Initial Period or a specific calendar year as the case may be. Export licences may be used as early as 1st December of the previous year within a limit of eight (8) percent of the ceiling for the given year. Export licences may not be used after 31st December of the year for which they are issued except that licences not so used may be used during the first two months of the following year with a limit of (8) percent of the export ceiling of the previous year or eight (8) percent of eighty-six (86) percent of the export ceiling of the Initial Period, as the case may be.

(b) The ECSC will require that Arrangement products shall be

accompanied by a certificate substantially in the form set out in Appendix C, endorsed in relation to such a licence. The U.S. shall require presentation of such certificate as a condition for entry into the USA of the Arrangement products. The U.S. shall prohibit entry of such products not accompanied by such a certificate.

**7. Technical adjustment.** (a) The specific product export ceilings provided for in Article 4 may be adjusted by the ECSC with notice to the U.S. Adjustments to increase the volume of one product must be offset by an equivalent volume reduction for another product for the same period. Notwithstanding the preceding sentences, no adjustment may be made under this paragraph which results in an increase or a decrease in a specific product limitation under Article 4 by more than five (5) percent by volume for the relevant period.

The ECSC and the U.S. may agree to increase the above percentage limit.

(b) Normally, only one change in a specific product export ceiling in a given year or the Initial Period may be made by an adjustment under the preceding paragraph or use of licences in December or January/February under Article 6(a). Accordingly, changes in a given year or the Initial Period by use of more than one of those three provisions may be made only upon agreement between the ECSC and the U.S.

**8. Short supply.** On the occasion of each quarterly consultation provided for in Article 10 the U.S. and the ECSC will examine the supply and demand situation in the USA for each of the products listed in Appendix B. If the U.S. in consultation with the ECSC determines that because of abnormal supply or demand factors, the U.S. steel industry will be unable to meet demand in the USA for a particular product (including substantial objective evidence such as allocation, extended delivery periods, or other relevant factors) an additional tonnage shall be allowed for such product or products by a special issue of licences limited to 10 percent of the ECSC's unadjusted export ceiling for that product or products. In extraordinary circumstances as determined by the allowable level of special licences.

Each authorized special issue export licence and certificate derived therefrom shall be so marked. Each such licence must be used within 180 days after the start of the quarter when that special issue began.

**9. Monitoring.** The ECSC will within one month of each quarter and for the first time by 31st January 1983 supply the U.S. with such non-confidential

information on all export licences issued for Arrangement products as is required for the proper functioning of this Arrangement.

The U.S. will collect and transmit quarterly to the ECSC all non-confidential information relating to certificates received during the preceding quarter in respect of the Arrangement products, and relating to actions taken in respect of Arrangement products for violations of customs laws.

**10. General.** Quarterly consultations shall take place between the ECSC and the U.S. on any matter arising out of the operation of the Arrangement. Consultations shall be held at any other time at the request of either the ECSC or the U.S. to discuss any matters including trends in the importation of certain steel products which impair or threaten to impair the attainment of the objectives of this Arrangement.

In particular, if imports from the ECSC of certain steel products other than Arrangement products of or from alloy Arrangement products show a significant increase indicating the possibility of diversion of trade from Arrangement products to certain steel products other than Arrangement products or from carbon to alloy within the same Arrangement product, consultations will be held between the U.S. and the ECSC with the objective of preventing such diversion, taking account of the ECSC 1981 U.S. market share levels.

Should these consultations demonstrate that there has indeed been a diversion of trade which is such as to impair the attainment of the objectives of the Arrangement, then within 60 days of the request for consultations both sides will take the necessary measures for the products concerned in order to prevent such a diversion. For alloy Arrangement products, such measures will include the creation of separate products for purposes of Articles 3 and 4 at the 1981 U.S. market share levels. For certain steel products other than Arrangement products, such measures may include the creation of products for purposes of Articles 3 and 4.

Consultations will also be held if there are indications that imports from third countries are replacing imports from the ECSC.

**11. Scope of the Arrangement.** This Arrangement shall apply to the U.S. Customs Territory (except as otherwise provided in Article 4(c)) and to the territories to which the Treaty establishing the ECSC as presently constituted applies on the conditions laid down in that Treaty.

12. *Notices.* For all purposes hereunder the U.S. and the ECSC shall be represented by and all communications and notices shall be given and addressed to:

*For the ECSC*

The Commission of the European Communities (Directorates General for External Relations (I) and Internal Market and Industrial Affairs (III))  
Rue de la Loi, 200, 1049 Brussels,  
Belgium, Tel: 233.11.11, Telex: 21877 COMEBU B.

*For the U.S.*

U.S. Department of Commerce,  
Deputy Assistant Secretary for Import Administration, International Trade Administration, Washington, D.C. 20230,  
Tel: 202/377-1780, Telex: 892536 USDOC WSH DAS/IA/ITA.

*Appendix A—List of Countervailing Duty (CVD) and Antidumping Duty (AD) Petitions<sup>1</sup> to be Withdrawn*

CVD petitions, filed on January 11, 1982, by (1) United States Steel Corporation, (2) Bethlehem Steel Corporation, and (3) Republic Steel Corporation, Inland Steel Company, Jones & Laughlin Steel, Inc., National Steel Corporation, and Cyclops Corporation concerning certain steel products from Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, the United Kingdom, and the European Communities.

AD petitions, filed on January 11, 1982, by (1) United States Steel Corporation, and (2) Bethlehem Steel Corporation concerning certain steel products from Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, the

<sup>1</sup> For purposes of this Arrangement, the term "petitions" covers all matters included in the petitions filed on the dates listed, whether or not the DOC initiated investigations on the products or countries concerned.

Netherlands, and the United Kingdom.

CVD petitions, filed on February 8, 1982, by Atlantic Steel Corporation, Georgetown Texas Steel Corporation, Keystone Consolidated, Inc., Korf Industries, Inc., Penn Dixie Steel Corporation and Raritan River Steel Company concerning carbon steel wire rod from Belgium and France.

CVD petitions, filed on May 7, 1982, by United States Steel Corporation concerning carbon steel welded pipe from France, the Federal Republic of Germany and Italy.

CVD petition, filed on September 3, 1982, by CF & I Steel Corporation concerning steel rails from the European Communities.

AD petitions, filed on September 3, 1982, by CF & I Steel Corporation concerning steel rails from France, the Federal Republic of Germany and the United Kingdom.

**APPENDIX B—PRODUCT COVERAGE**

Description	NIMEXE Nos. <sup>1</sup>	TSUSA Nos.
Hot Rolled Carbon Steel Sheet and Strip	72.08-03, 72.08-06, 72.08-07, 72.08-21, 72.08-25, 72.08-29, 72.08-41, 72.08-46, 72.08-48, 72.12-18, 72.13-21, 72.13-23, 72.13-28, 72.13-32, 72.13-34, 72.13-36, 72.62-10, 72.64-30, 72.66-32, 72.66-35	807.8610, 807.8700, 807.8242, 808.1950, 808.2120, 808.2320
Hot Rolled Alloy Steel Sheet and Strip	72.78-19, 72.74-29, 72.78-34, 72.78-39, 72.78-44, 72.78-49	807.8100, 808.2820, 808.2830, 808.8720
Cold Rolled Carbon Steel Sheet	72.12-29, 72.13-41, 72.13-43, 72.13-45, 72.13-47, 72.13-49, 72.13-50, 72.84-50, 72.86-52, 72.86-55	807.8220, 807.8344
Cold Rolled Alloy Steel Sheet	72.74-54, 72.74-64, 72.78-64, 72.78-69, 72.78-74, 72.78-79	807.8320
Carbon Steel Plate	72.08-03, 72.13-17, 72.13-18, 72.13-19, 72.13-20, 72.62-30, 72.64-72, 72.64-75, 72.66-21	807.8815, 807.8400, 808.0710, 808.1100
Alloy Steel Plate	72.78-39, 72.78-34, 72.78-39	807.7600, 807.8100, 808.1420

**APPENDIX B—PRODUCT COVERAGE—Continued**

Description	NIMEXE Nos. <sup>1</sup>	TSUSA Nos.
Carbon Coated Sheet	72.12-40, 72.12-41, 72.12-43, 72.12-71, 72.13-78, 72.13-80, 72.13-87, 72.13-88, 72.13-72, 72.13-86, 72.84-76, 72.86-70	808.0730, 808.1200
Alloy Coated Sheet and Plate	72.12-46, 72.12-74, 72.13-72, 72.13-74, 72.13-48, 72.13-78	808.0100, 808.1440
Twisted (not including blackplate) Carbon Steel Structural Shapes	72.12-41, 72.12-88, 72.13-84, 72.13-86, 72.11-12, 72.11-14, 72.11-16, 72.11-18, 72.11-20, 72.11-31, 72.11-38, 72.60-10, 72.63-29, 72.63-30	807.8908, 807.8700, 807.9020, 808.8025, 808.8915, 808.9285, 808.9045
Alloy Steel Structural Shapes	72.72-14, 72.72-18, 72.73-34, 72.73-35, 72.73-38, 72.73-40, 72.73-64, 72.73-65, 72.73-68	808.8200
Carbon Wire Rod	72.10-11, 72.10-16, 72.63-21, 72.63-26, 72.73-25, 72.73-28	807.1400, 807.1700, 807.2200, 807.2300
Hot Rolled Carbon Steel Bar	72.10-16, 72.10-42, 72.10-46, 72.63-25, 72.63-72, 72.73-25, 72.73-28	808.8210, 808.8320, 808.8368
Hot Rolled Alloy Bar	72.73-24, 72.73-28, 72.73-38, 72.73-39, 72.73-72	808.8700
Carbon and Alloy Rods	72.10-11, 72.10-14, 72.10-16, 72.10-17, 72.10-20	810.8010, 810.8020, 810.8100
Carbon and Alloy Sheet Piling	72.11-40	808.8900, 808.9000

<sup>1</sup> Subject to further verifications and amendments to be agreed upon by experts of both parties before 1st November 1982.

<sup>2</sup> Covered if hot rolled.

<sup>3</sup> Covered if over 12" in width.

<sup>4</sup> Excluding semirinished products over 8 inches in thickness produced by rolling on a primary finishing mill.

<sup>5</sup> Covered if structural shapes.

<sup>6</sup> Covered if rolled bar from 13 to 16.5 mm diameter.

<sup>7</sup> Covered if contains up to 0.25 percent lead or sulfur.

<sup>8</sup> Excluding cold bar from 13 to 16.5 mm diameter.

<sup>9</sup> Excluded if cold finished.

<sup>10</sup> Covered if hot rolled bar, excluding cold bar from 13 to 16.5 mm diameter.

<sup>11</sup> Covered if hot rolled bar, and 0.35 percent or more lead or sulfur.

BILLING CODE 2610-25-01

98TH CONGRESS  
1ST SESSION

# S. 1035

To provide for the enforcement of a trade agreement between the United States and the Commission of the European Communities concerning imports of steel pipe and tube products.

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## IN THE SENATE OF THE UNITED STATES

APRIL 12, 1983

Mr. BENTSEN (for himself and Mr. TOWER) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide for the enforcement of a trade agreement between the United States and the Commission of the European Communities concerning imports of steel pipe and tube products.

- 1       *Be it enacted by the Senate and House of Representa-*
- 2       *tives of the United States of America in Congress assembled,*
- 3       That this Act may be cited as the "Fair Trade in Steel Pipe
- 4       and Tube Products Act of 1983".

5       SEC. 2. FINDINGS AND PURPOSE.

- 6       (a) FINDINGS.—The Congress hereby finds that—

1           (1) a strong domestic steel pipe and tube products  
2       industry is vital to the Nation's energy security and  
3       independence;

4           (2) steel pipe and tube products have been import-  
5       ed into the customs territory of the United States in  
6       such increased quantities and under such conditions as  
7       to cause or threaten serious injury to workers and pro-  
8       ducers in the domestic steel pipe and tube industry;

9           (3) this injury will be increased by (A) the diver-  
10      sion of steel imports from the European Community to  
11      pipe and tube products, and (B) the upgrading of steel  
12      pipe and tube imports from basic pipe and tube prod-  
13      ucts to oil country tubular goods; and

14          (4) the recently negotiated Arrangement between  
15      the United States and the European Community con-  
16      cerning steel pipe and tube products will help stabilize  
17      domestic markets and reduce injury to United States  
18      producers but will require strict enforcement to achieve  
19      its full objectives.

20          (b) PURPOSE.—It is the purpose of this Act to mitigate  
21      injury to the domestic steel pipe and tube products industry  
22      by providing the necessary authorities to the Secretary of  
23      Commerce and the Secretary of the Treasury to enforce the  
24      terms of the Steel Pipe and Tube Arrangement.

1 **SEC. 3. DEFINITIONS.**

2 As used in this Act—

3 (1) The term “annual import ceiling” means, for  
 4 each calendar year within the term of the Arrange-  
 5 ment, the aggregate quantity of EC articles in a steel  
 6 pipe and tube product category that constitutes the fol-  
 7 lowing percent of the United States apparent consump-  
 8 tion of articles in that category during that year:

Steel pipe and tube product category	Percent of United States apparent consumption
(A) Line pipe.....	5.88
(B) Oil country tubular goods .....	8.76
(C) Mechanical tubing.....	3.20
(D) Pressure tubing .....	9.37
(E) Stainless pipe and tubing.....	6.35
(F) Standard pipe .....	2.78
(G) Structural and other pipe.....	1.34

9 (2) The term “Arrangement” means the Arrange-  
 10 ment on EC Export of Pipes and Tubes to the United  
 11 States of America, contained in an exchange of letters,  
 12 dated October 21, 1982, between the United States  
 13 and the Commission of the European Communities.

14 (3) The term “EC articles” means steel pipe and  
 15 tube articles that are the products of member nations  
 16 of the European Community.

17 (4) The term “entered” means entered, or with-  
 18 drawn from warehouse for consumption, within the  
 19 customs territory of the United States.



1           (5) The term "Secretary" means the Secretary of  
2 Commerce.

3           (6) The term "steel pipe and tube articles" means  
4 those articles described in the steel pipe and tube prod-  
5 uct categories provided for in paragraph (7).

6           (7) The term "steel pipe and tube product cate-  
7 gory" means each of the following categories:

8           (A) Line pipe, which includes articles de-  
9 scribed in items 610.3208, 610.3<sup>2</sup>909, 610.3211,  
10 610.3251, 610.3711, 610.3712, 610.3713,  
11 610.4931, 610.4933, 610.4936, 610.4965,  
12 610.4970, 610.5211, 610.5214, and 610.5216 of  
13 the TSUS. *h*

14           (B) Oil country tubular goods, which includes  
15 articles described in items 610.3216, 610.3219,  
16 610.3721, 610.3722, 610.3920, 610.4020,  
17 610.4220, 610.4320, 610.4942, 610.4944,  
18 610.4946, 610.4965, 610.4970, 610.5221,  
19 610.5222, 610.5226, 610.5241, 610.5246, and  
20 610.5247 of the TSUS.

21           (C) Mechanical tubing, which includes arti-  
22 cles described in items 610.3221, 610.3227,  
23 610.3244, 610.3728, 610.3732, 610.450<sup>3</sup>,  
24 610.4600, 610.4948, 610.4965, 610.4970,

## 5

1           610.4975, 610.5229, 610.5241, 610.5246, and  
2           610.5247 of the TSUS.

3           (D) Pressure tubing, which includes articles  
4           described in items 610.3000, 610.3100,  
5           610.3205, 610.3500, 610.3600, 610.3704,  
6           610.4920, 610.5209, 610.5241, 610.5246, and  
7           610.5247 of the TSUS.

8           (E) Stainless pipe and tubing, which includes  
9           articles described in items 610.3701, 610.3727,  
10          610.3731, 610.3741, 610.3742, 610.5205,  
11          610.5230, 610.5231, 610.5234, and 610.5236 of  
12          the TSUS.

13          (F) Standard pipe, which includes articles de-  
14          scribed in items 610.3231, 610.3232, 610.3241,  
15          610.3244, 610.3247, 610.3251, 610.3751,  
16          610.4951, 610.4952, 610.4960, 610.4961,  
17          610.4965, and 610.4970 of the TSUS.

18          (G) Structural and other pipe, which includes  
19          articles described in items 610.3241, 610.3244,  
20          610.3251, 610.3945, 610.3955, 610.4045,  
21          610.4055, 610.4245, 610.4255, 610.4345,  
22          610.4355, and 610.4975 of the TSUS.

23          The Secretary may by regulation make (i) such adjust-  
24          ments regarding the articles included within such cate-  
25          gories as may be required by the Arrangement, and (ii)

1       such modification to the TSUS references in such cate-  
2       gories as may be required by changes made to the  
3       TSUS.

4           (8) The term "TSUS" means the Tariff Schedules  
5       of the United States, Annotated, as prepared by the  
6       United States International Trade Commission.

7           (9) The term "United States apparent consump-  
8       tion" means, with respect to articles in each steel pipe  
9       and tube product category, the domestic shipments of  
10      such articles less exports, plus imports thereof.

11   SEC. 4. COMPUTATION OF ANNUAL IMPORT CEILINGS FOR EC  
12                           ARTICLES.

13       (a) INITIAL COMPUTATION.—For each of the calendar  
14      years within the term of the Arrangement, the Secretary ,  
15      not later than October 1 before such year (or as soon as  
16      practicable after the date of the enactment of this Act in the  
17      case of calendar year 1983), shall—

18           (1) make a projection of the United States appar-  
19      ent consumption during that year of articles in each  
20      steel tube and pipe product category; and

21           (2) on the basis of such projections, compute, in  
22      accordance with section 3(1), the annual import ceil-  
23      ings for EC articles in each such category for that  
24      year.

1       (b) INTRA-ANNUAL ADJUSTMENTS OF ANNUAL  
2 IMPORT CEILINGS.—Each annual import ceiling computed  
3 under subsection (a) for EC articles in a steel tube and pipe  
4 product category for a calendar year shall be subject to the  
5 following adjustments:

6           (1) During February of such calendar year (except  
7 1983), the Secretary shall determine the United States  
8 apparent consumption during the immediately preced-  
9 ing calendar year of articles in that category, and, on  
10 the basis of that determination compute a final annual  
11 import ceiling for EC articles in that category for the  
12 preceding year. If the aggregate quantity of EC arti-  
13 cles in that category that was entered during the pre-  
14 ceding year exceeded, or was less than, such final  
15 annual import ceiling, the Secretary shall reduce or in-  
16 crease, as the case may be, the annual import ceiling  
17 for the current year for that category by a quantity  
18 equal to such excess or shortfall.

19           (2) During February, May, August, and October  
20 of such calendar year (or such of these months in 1983  
21 as are applicable), the Secretary shall, on the basis of  
22 the latest available data, make a new projection of the  
23 United States apparent consumption of the articles in  
24 that category for the year and shall recompute the  
25 annual import ceiling for EC articles in that category

1 as necessary (subject to such adjustments as may be  
2 required by paragraph (1) or (3), or both).

3 (3) Adjustment of the annual import ceiling by the  
4 Secretary under section 5(a) as a result of the in-  
5 creases in domestic demand.

6 **SEC. 5. MONITORING AND ENFORCEMENT.**

7 (a) **MONITORING.**—The Secretary shall continuously  
8 monitor the ex-mill shipments of EC articles and the quanti-  
9 ties of EC articles that are entered.

10 (b) **CONSULTATION.**—If, during any calendar year  
11 within the term of the Arrangement, the Secretary has  
12 reason to believe, based on information resulting from moni-  
13 toring under subsection (a) and on the projections of the  
14 United States apparent consumption required under section  
15 4(b), that the annual import ceiling on EC articles in any  
16 steel pipe and tube product category is likely to be exceeded,  
17 or that a distortion of the pattern of trade between the United  
18 States and the European Community is occurring with re-  
19 spect to articles in any category, he shall immediately enter  
20 into consultations with the European Community.

21 (c) **ENFORCEMENT.**—If consultations are commenced  
22 under subsection (b) based upon the belief of the Secretary  
23 that the annual import ceiling for EC articles in steel pipe  
24 and tube product category is likely to be exceeded, he shall  
25 seek to obtain an agreement with the European Community

1 which will result in compliance by the Community with the  
2 annual import ceilings for the category for the remainder of  
3 the term of the Arrangement. If such an agreement is not  
4 obtained by the end of 60 days after such consultations are  
5 commenced, the Secretary shall notify the Secretary of the  
6 Treasury of that fact and the Secretary of the Treasury shall  
7 take such action as is necessary to assure that the aggregate  
8 quantity of EC articles in the steel pipe and tube product  
9 category concerned that are entered during each year within  
10 the remainder of the term of the Arrangement does not  
11 exceed the annual import ceiling that applies during each  
12 such year.

13 (d) ADJUSTMENT IN CASE OF INCREASE IN DOMESTIC  
14 DEMAND.—If the Secretary determines that United States  
15 manufacturers will be unable to meet in any calendar year  
16 during the term of the Arrangement the demand in the  
17 United States for one or more kinds of articles included  
18 within a steel tube and pipe product category, the Secretary  
19 may, after consultations under subsection (b) and without  
20 regard to the percentage of United States apparent consump-  
21 tion applicable to that category under section 3(1), allow to  
22 be entered during such year such additional quantities of EC  
23 articles as the Secretary determines to be necessary to meet  
24 such demand.

1 **SEC. 6. ADMINISTRATION.**

2       The Secretary of Commerce shall promulgate such reg-  
3 ulations as may be necessary to carry out the purposes of this  
4 Act.

5 **SEC. 7. EFFECTIVE PERIOD OF ACT.**

6       The provisions of this Act shall cease to have force and  
7 effect after December 31, 1985-

○